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ABSTRACT

This conference report covers the Higher Education Amendments of 1986. The following titles of the Higher Education Act are amended: Title I, Postsecondary Programs for Nontraditional Students; Title II, Libraries; Title III, Institutional Aid; Title IV, Student Assistance; Title V, Teacher Training and Development; Title VI, International Education Programs; Title VII, Construction and Renovation; Title VIII, Cooperative Education; Title IX, Graduate Programs; Title X, Improvement of Postsecondary Education; Title XI, Partnerships for Economic Development and Urban Community Service; Title XII, General Provisions; Title XIII, Education Administration; Title XIV, Education Research and Statistics; Title XV, American Indian, Alaska Native, and Native Hawaiian Culture and Art Development; and Title XVI, United States Institute of Peace. Parts of the Titles include: specific federal student aid programs; program and planning grants; strengthening institutions; strengthening historically black colleges and universities; midcareer teaching training and nontraditional students; school, college, and university partnerships; professional development and leadership programs; teacher scholarships and fellowships. (SW)

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99th Congress 2d Session	HOUSE OF REPRESENTATIVES	Report 99-861

HIGHER EDUCATION AMENDMENTS OF 1986

CONFERENCE REPORT

TO ACCOMPANY

S. 1965

September 22, 1986.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
[illegible]
WASHINGTON : 1986

99th Congress *2d Session*	HOUSE OF REPRESENTATIVES	Report 99-861

HIGHER EDUCATION AMENDMENTS OF 1986

September 22, 1986.—Ordered to be printed

Mr. Hawkins, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 1965]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1965), to reauthorize and revise the Higher Education Act of 1965, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment, insert the following:

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS

(a) Short Title.—This Act may be cited as the "Higher Education Amendments of 1986".

(b) References.—References in this Act (except as otherwise provided) to "the Act" are to the Higher Education Act of 1965.

(c) Table of Contents.—

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Sec. 2. Effective date.
Sec. 3. Contracting authority subject to appropriations.

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"TITLE III—INSTITUTIONAL AID

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"TITLE IV—STUDENT ASSISTANCE

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SEC. 2. EFFECTIVE DATE.

Except as otherwise provided in this Act, the amendments made by this Act shall take effect on the date of enactment of this Act.

SEC. 3. CONTRACTING AUTHORITY SUBJECT TO APPROPRIATIONS.

The authority to enter into contracts or other obligations under this Act (other than amendments made to part B of title IV of the Act) shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

TITLE I—AMENDMENT TO TITLE I OF THE ACT

SEC. 101. REVISION OF TITLE I.

Title I of the Act is amended to read as follows:

"TITLE I—POSTSECONDARY PROGRAMS FOR NONTRADITIONAL STUDENTS

"FINDINGS

"Sec. 101. The Congress finds that—

"(1) the increasing incidence of relocation and dislocation of industries and workers, the entry and reentry of adults into the labor force, and the rapid rate of change in technology, the economy, population demographics, and social conditions, necessitate significant improvement in postsecondary educational opportunities for adults in all stages of life;

"(2) the majority of adults who continue their education do so for job-related and career-oriented reasons or to fulfill admissions requirements for educational or vocational training;

"(3) minority-group citizens comprise the fastest growing segment of the population and labor force, yet are underrepresented in adult education programs;

"(4) access to postsecondary educational opportunities is limited for adults whose educational needs have been inadequately served, or for those whose age, sex, race, disability, national origin, rural isolation, or economic or personal circumstances (such as marital status or responsibility with regard to dependent children) are barriers to such opportunities;

"(5) enrollment of adult learners (including individuals aged 50 and over) approaches or equals that of traditional students in postsecondary institutions and such enrollment patterns are changing the demography of postsecondary education;

"(6) the organizational structure and administration of postsecondary institutions often represents a significant barrier to matriculation for the adult learner and such institutions need to adapt themselves to integrate adult learners;

"(7) the Federal Government should encourage the development of institutional partnerships between the public and private sectors and postsecondary institutions for the purpose of planning and implementing effective educational programs and services for the adult learner; and

"(8) it is in the interest of the Federal Government to support continuing education for adults in order to reduce unemployment and underemployment, enhance job opportunities, and promote a well-trained, flexible, internationally competitive work force and an educated citizenry.

"DEFINITIONS

"Sec. 102. For the purpose of this title—

"(1) the term 'continuing education' means postsecondary instruction and support services that are designed to meet the educational needs of adult learners;

"(2) the term 'adult learner' means an individual who by reason of personal circumstance, age, gender, disability, minority status, income, rural isolation, economic or educational disadvantage, marital status, presence of dependent children, lack of or need for new employment skills (including skills needed to pursue a new career) or other significant barrier (A) is not a tra-

ditional student, and (B) engages in some form of structured postsecondary study to improve the individual's knowledge, information skills, or employment opportunities;

"(3) the term 'eligible institution' means an institution of higher education, combinations of institutions of higher education, or consortia of any such institutions; and

"(4) the term 'qualified entity' means a public or nonprofit private organization which has—

"(A) experience in administering a program consistent with the requirements of this title; and

"(B) demonstrated the ability to coordinate, manage, and provide technical assistance to programs that receive grants under this title.

"LIMITATION ON CONTRACT AUTHORITY

"SEC. 103. The authority to enter into contracts under this title is subject to the availability of appropriations.

"PART A—PROGRAM AND PLANNING GRANTS

"INSTITUTIONAL DEVELOPMENT

"SEC. 111. (a) PURPOSE.—It is the purpose of this section—

"(1) to assist eligible institutions to establish programs relating postsecondary education resources more closely to the continuing educational training needs of the American work force;

"(2) to help strengthen the capacity of postsecondary institutions to respond to the continuing education needs of adults, especially adults—

"(A) dislocated by technological and economic change,

"(B) seeking entry, reentry, or progression in the work force after prolonged absences due to marriage and childrearing;

"(C) isolated from educational resources due to age or geographic location;

"(D) seeking entry into nontraditional occupations for their race or sex;

"(E) receiving aid to families with dependent children;

"(F) who are functionally illiterate; and

"(G) who desire to pursue a new career; and

"(3) to support cooperative arrangements between eligible institutions, community-based organizations, and private and public sector employers that will facilitate meeting the goals of paragraphs (1) and (2).

"(b) GRANTS.—To carry out the purpose of this section, the Secretary shall make grants to, and enter into contracts with, eligible institutions for activities, such as—

"(1) structuring an academic program designed to facilitate the attendance of working students, parents caring for dependent children, and individuals seeking to reenter the educational system;

"(2) making academic programs available to adult learners at convenient times and locations;

"(3) the encouragement of resource sharing for innovative uses of technology, including telecommunications (on an interstate or intrastate basis) to overcome barriers to continuing education opportunities and to develop innovative delivery systems for education programs;

"(4) the creation or expansion of education programs and curriculum, including adult literacy efforts, designed to meet the present and future needs of the labor market;

"(5) the development of cooperative relationships between business and labor organizations, community-based organizations, and agencies which provide opportunities for continuing education;

"(6) the removal of barriers posed by previous education or training, age, sex, race, handicap, national origin, rural isolation, or economic circumstance which may place adults at a disadvantage in seeking continuing educational opportunities;

"(7) educational information, including literacy information, student financial assistance information, and occupational information and counseling services designed to meet the special needs of inadequately served adults and to assist their entry or reentry into continuing education and the labor force;

"(8) training for administrators, faculty, and staff to improve their ability to teach and serve adult learners; and

"(9) development of remedial instruction programs for adult learners to enable them to enroll in college-level educational programs.

"(c) ADDITIONAL USE OF FUNDS.—(1) Funds awarded under this section to any eligible institution shall be used for the purposes under subsection (b), except that, to a limited extent as approved by the Secretary, such funds may also be used for program planning and development to carry out the purposes of this section including—

"(A) making adult and continuing educational opportunities available at convenient times and locations, including off-campus locations;

"(B) evaluating the responsiveness of continuing education programs to the work and career-related objectives of adults;

"(C) developing or expanding educational and occupational information and counseling services to meet the special needs of adults, including information concerning available forms of student financial assistance;

"(D) training of personnel in continuing education programs to improve their ability to serve adult learners;

"(E) developing or expanding high-technology delivery systems and curricula to ensure closer development and career transitions for adult learners;

"(F) joint planning and implementation activities between institutional and private sector representatives to expand educational opportunities;

"(G) promoting the sharing of personnel and resources between an eligible institution and an employer;

"(H) contributing to dependent care programs for low income participants in adult and continuing education and the development of dependent care programs; and

"(I) encouraging and developing collaborative efforts between the institution or institutions and combinations of education institutions, private and public institutions, organizations, business, and labor to develop programs responsive to current employment and economic conditions.

"(2) Funds made available under this section may not be used—

"(A) to purchase or rent facilities to be used in connection with the program or for general operational overhead of the eligible institution; or

"(B) to pay stipends or provide direct financial assistance to any individual participating in the programs established under this section.

"(d) Applications for Assistance.—(1) Any eligible institution may submit an application to the Secretary at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate the need for assistance. The Secretary shall make awards on a competitive basis.

"(2) Each such application shall—

"(A) provide evidence that the eligible institution has identified the educational needs of potential adult learners in the area served by the applicant, especially adults identified in subsection (a)(2);

"(B) describe the current continuing education program offered by the eligible institution (including information concerning the professional competence of faculty and staff, their degree of participation in the continuing education program, and institutional resources committed to the continuing education program) and the activities proposed to be developed or assisted to meet the purposes of this section;

"(C) provide assurance that Federal funds made available under this section will comprise not more than 87.5 percent of the cost of the program in the second year, and 75 percent in the third year;

"(D) describe procedures for evaluating the effectiveness of the activities for which a grant or contract is awarded under this section;

"(E) provide for such financial controls and accounting procedures as are necessary to ensure proper disbursement and accounting for funds made available to the applicant under this section and to ensure that funds made available under this section for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purpose of this section and in no case supplant those funds;

"(F) provide assurances that the continuing education programs, services, and activities, funded under this section will not be limited to individuals who are enrolled in programs of study that lead to baccalaureate or graduate degrees, but will also include programs for adults enrolled in noncredit continuing education programs, that address the purposes of this section;

"(G) provide assurances that the program funded under this section does not duplicate existing State funded programs, and,

in the case of any public institution, that the proposed program is consistent with the State's goals for that institution;

"(H) provide the projected number of students who will participate in the program and the proposed operational budget for the program, including the specific amounts proposed to be expended for salaries;

"(I) include assurances that the applicant intends to continue the activities to be supported under the grant after termination of the grant, including a detailed plan for obtaining funds to continue such activities;

"(J) provide assurances that funds made available under this section will be used only for the purposes of this section;

"(K) provide for a reasonable period of review and comment on the proposed program by the appropriate State agency and include any such comments with the application to the Secretary; and

"(L) include such other information as the Secretary may reasonably require to carry out the provisions of this section.

"(3) In awarding grants or contracts the Secretary shall give priority consideration to eligible institutions which—

"(A) as appropriate, include area employer and employee organizations in the planning of the proposed continuing education activity and provide assurances of the continued participation of such organizations in the implementation, operation, and evaluation of the funded activities;

"(B) include assurances that the appropriate State agencies concerned with postsecondary education and State labor market and economic agencies have been consulted in the development of the proposal;

"(C) demonstrate a willingness to conduct and integrate into the curriculum work-oriented professional and technical continuing education programs;

"(D) demonstrate the capacity to obtain contributions of staff, equipment, and resources for such programs from nonacademic sources, particularly employers; and

"(E) provide assurances that adults enrolled in such programs will have access to suitable and adequate financial assistance opportunities, including Federal student aid funds available for students enrolled less than half time.

"ESTABLISHMENT OF OFF-CAMPUS PROGRAM GRANTS

"SEC. 112. (a) PURPOSE; OFF-CAMPUS EDUCATION PROGRAMS.—The Secretary shall establish a grant program to assist postsecondary institutions in developing programs to encourage the establishment and growth of off-campus educational programs.

"(b) USES OF FUNDS.—Grants made under this section to any institution may be used for planning, developing, or operating a program designed by the institution to carry out the purposes of this section including—

"(1) the development and use of high-technology educational delivery systems using computers, radio, television, teleconferencing, video-disc, print, any combination of such components,

or such other means as may provide direct use and access by individuals to off-campus programs;

"(2) the development of interstate educational delivery systems, cooperative, and consortia arrangements and programs (including telecommunications) which more effectively address regional needs for education;

"(3) training of faculty and staff to develop educational programs using creative and innovative delivery systems;

"(4) development of technological systems designed to enhance the teaching capabilities of faculty for students off-campus;

"(5) the development of curricula and student support services for students off-campus; and

"(6) acquisition (by lease or purchase) of necessary equipment, except that not more than 10 percent of such funds may be used for such acquisition.

"(c) Applications for Assistance.—(1) Any eligible institution requesting assistance under this section shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be required by the Secretary. The Secretary shall make awards on a competitive basis taking into consideration the relative cost and effectiveness of the proposed program.

"(2) An institution, in its application for a grant, shall—

"(A) describe a program for establishing or improving delivery systems for students off-campus which shall include (i) the proposed operational budget for the program or activities to be conducted with funds received under the grant; (ii) the educational program or courses which would be made available off-campus; and (iii) the educational needs which the program is designed to address;

"(B) describe the applicant's current off-campus program or plans for an off-campus program;

"(C) provide for such financial control and accounting procedures as may be necessary to ensure proper disbursement and accounting for funds made available to the applicant under this section;

"(D) set forth policies and procedures to ensure that Federal funds made available under this section for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of this section and in no case supplant those funds;

"(E) provide assurances that Federal funds made available under this section will comprise not more than 87.5 percent of the cost of the program in the second year, and 75 percent in the third year;

"(F) set forth policies and procedures for evaluating the effectiveness of the institution in accomplishing the purposes of the activities for which a grant is awarded under this section; and

"(G) provide such other information as the Secretary may require.

"(3) Funds made available under this section to any institution may not be used for rent or the purchase of facilities to be used in connection with the program, for general operational overhead of

the institution or combination of institutions, or for salaries or stipends to students participating in the program.

"ADULT AND CONTINUING EDUCATION STAFF DEVELOPMENT

"SEC. 113. (a) PURPOSE.—It is the purpose of this section to assist eligible institutions to provide in-service training to individuals involved in providing adult and continuing education services, including personnel involved in training offered under the Adult Education Act, the Job Training Partnership Act, the Carl D. Perkins Vocational Education Act, the Rehabilitation Act of 1973, the National Apprenticeship Act, the Older Americans Act of 1965, and the Social Security Act.

"(b) GRANTS AUTHORIZED.—To carry out the purpose of this section, the Secretary shall make grants to eligible postsecondary institutions that have entered into agreements with the Secretary to carry out an adult and continuing education staff development training program in accordance with the requirements of this section, which may include—

"(1) programs designed to enhance the pedagogical skills of the staff involved in programs offering adult and continuing education, including the training of staff and volunteers for literacy programs;

"(2) technical assistance to programs of adult education, with particular emphasis on federally funded programs; and

"(3) development of adult and continuing educational curricula materials, including adult literacy curricula, that may be used in adult and continuing education staff development training, especially materials that focus on utilization of new technologies.

"(c) APPLICATIONS FOR ASSISTANCE.—(1) Any eligible institution requesting assistance under this section shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be required by the Secretary. The Secretary shall make awards on a competitive basis taking into consideration the relative cost and effectiveness of the proposed program.

"(2) An institution, in its application for a grant, shall—

"(A) describe a proposal for establishing or improving staff development programs including the proposed operational budget for the program or activities to be conducted with funds made available under this section;

"(B) describe the applicant's current staff development program;

"(C) provide for such financial control and accounting procedures as may be necessary to ensure proper disbursement and accounting for funds made available to the applicant under this section;

"(D) set forth policies and procedures to ensure that Federal funds made available under this section for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of this part and in no case supplant those funds;

"(E) set forth policies and procedures for evaluating the effectiveness of the institution in accomplishing the purposes of the activities for which a grant is awarded under this section; and

"(F) provide such other information as the Secretary may require.

"(3) Funds made available under this section to any institution may not be used for rent or the purchase of facilities to be used in connection with the program, for general operational overhead of the institution or combination of institutions, or for salaries or stipends to students participating in the program.

"(4) A grant under this section may not exceed $50,000 for any fiscal year and may be awarded for a period not to exceed 3 years.

"ADMINISTRATION OF PROGRAMS BY THE SECRETARY

"SEC. 114. The Secretary shall ensure the equitable geographic distribution of funds under this part. In making awards under this part, the Secretary shall consider the equitable levels of funding for urban and rural areas. Grants and contracts under section 111 or 112 may be awarded for a period not to exceed 3 years and may not exceed $100,000 in the first year of funding, except that a grant or contract involving combinations of institutions of higher education or a consortia with other institutions or organizations may not exceed $150,000 in the first year.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 115. There is authorized to be appropriated to carry out this part $10,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years. One hundred percent of the funds appropriated under this section for fiscal year 1987 shall be available only to carry out sections 111 and 112.

"PART B—NATIONAL PROGRAMS

"ADULT LEARNING RESEARCH

"SEC. 121. (a) ESTABLISHMENT OF PROGRAM.—To carry out the purpose of this section by providing assistance to institutions of higher education, the Secretary is authorized to make grants to, and to enter into contracts with, eligible institutions to ensure a sustained capacity to undertake independent research and research application activities in adult and continuing education.

"(b) USES OF FUNDS.—Funds made available under this section to any eligible institution may be used for planning, developing, or operating a program which may include—

"(1) identifying and analyzing the special problems and needs of adult learners;

"(2) collecting, analyzing, and disseminating information relating to adult learners and their educational and employment objectives, with particular focus on analyzing and disseminating information on the current and projected needs of the labor market;

"(3) examining and applying uses of education technologies to reach new and isolated learners;

"(4) collecting and disseminating relevant data from Federal agencies and other national and State resources applicable to postsecondary institutional planning for continuing education, including information related to Federal and other forms of student financial assistance;

"(5) supporting training programs designed to enhance the effectiveness of faculty to teach adult learners;

"(6) developing curriculum and instructional methods for adults seeking new employment opportunities;

"(7) demonstrating and disseminating new and existing programs designed for the adult learner; and

"(8) promoting resource sharing for innovative uses of technology, including telecommunications, to overcome barriers to postsecondary educational opportunities.

"(c) APPLICATION FOR ASSISTANCE.—A grant or contract authorized by this part may be awarded by the Secretary on a competitive basis upon receipt of an application, which is submitted to the Secretary at such time or times and contains such information as the Secretary may prescribe. Each such application shall—

"(1) contain provisions that demonstrate the existing resources and academic reputation of the institution of higher education in the field of continuing education and its ability to conduct such activities; and

"(2) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part.

"SEC. 122. AUTHORIZATION LIMITATION.

"No funds are authorized to be appropriated for the purpose of this part for fiscal year 1987 and the 4 succeeding fiscal years.

"PART C—THE NATIONAL ADVISORY COUNCIL ON CONTINUING EDUCATION

"NATIONAL ADVISORY COUNCIL ON CONTINUING EDUCATION

"SEC. 131. (a) ESTABLISHMENT AND COMPOSITION.—The President shall appoint a National Advisory Council on Continuing Education consisting of 8 representatives of Federal agencies having postsecondary continuing education and training responsibilities, including, but not limited to—

"(1) one representative each from—

"(A) the Department of Education,

"(B) the Department of Agriculture,

"(C) the Department of Defense,

"(D) the Department of Labor, and

"(E) the Veterans' Administration; and

"(2) 12 members, not full-time employees of the Federal Government, who are knowledgeable and experienced in the field of continuing education, including State and local government officials, representatives of business, labor, and community groups, and adults whose educational needs have been inadequately served.

The Advisory Council shall meet at the call of the Chairman but not less than twice a year.

"(b) Advisory Functions.—The Advisory Council shall advise the Secretary in the preparation of general regulations and with respect to policies and procedures arising in the administration of this Act with respect to continuing education.

"(c) Functions Relating to Eliminating Duplication.—The Advisory Council shall examine all federally supported continuing education and training programs and make recommendations with regard to policies to eliminate duplication and to effectuate the coordination of programs under this Act with respect to continuing education and other federally funded continuing education and training programs and services.

"(d) Reports.—The Advisory Council shall make annual reports to the President, the Congress, and the Secretary of its findings and recommendations, including recommendations for changes in the provisions of this Act with respect to continuing education and other Federal laws relating to continuing education and training activities. The President shall transmit each such report to the Congress with his comments and recommendations. The Advisory Council shall make such other reports or recommendations to the President, the Congress, the Secretary, or the head of any other Federal department or agency as may be appropriate.

"(e) Use of Services.—The Advisory Council may utilize the services and facilities of any agency of the Federal Government as may be necessary. The Advisory Council may accept, employ, and dispose of gifts or bequests to carry out its responsibilities under this section.".

TITLE II—LIBRARIES

SEC. 201. PURPOSE; AUTHORIZATION.

(a) Designation of Title.—The heading of title II is amended to read as follows:

"TITLE II—ACADEMIC LIBRARY AND INFORMATION TECHNOLOGY ENHANCEMENT".

(b) Purpose.—Section 201(a) of the Act is amended by striking out paragraph (4) and inserting in lieu thereof the following:

> *"(4) college and university libraries in acquiring technological equipment and in conducting research in information technology in accordance with part D.".*

(c) Authorization of Appropriations.—Section 201(b) of the Act is amended to read as follows:

"(b)(1) There are authorized to be appropriated to carry out part A $10,000,000 for fiscal year 1987, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(2) There are authorized to be appropriated to carry out part B $5,000,000 for fiscal year 1987, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(3) There are authorized to be appropriated to carry out part C $10,000,000 for fiscal year 1987, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(4) There are authorized to be appropriated to carry out part D $5,000,000 for fiscal year 1987, and such sums as may be necessary for each of the 4 succeeding fiscal years.".

SEC. 202. COLLEGE LIBRARY RESOURCES.

Section 211 of the Act is amended to read as follows:

"COLLEGE LIBRARY RESOURCES

"SEC. 211. (a) From the amount appropriated for this part, the Secretary shall make grants to eligible institutions of higher education or combinations thereof (and to branches of institutions which are located in different communities from that in which its parent institution is located). The amount of a grant under this part shall not be less than $2,000 nor more than $10,000 and shall reflect the number of full-time equivalent students enrolled at the recipient institution. If the funds are not sufficient to provide grants to all eligible institutions, grants shall be made to those institutions demonstrating the greatest need, based on the eligibility criteria in section 211(c).

"(b) A grant under this part may be made only if the application provides—

"(1) information about the institution and its library resources as prescribed by the Secretary in regulations;

"(2) satisfactory assurance that the applicant has expended for all library materials (exclusive of construction) during the institutional fiscal year preceding the year of application for which the grant is sought (hereafter in this section referred to as the 'base year'), from funds other than funds received under this part, an amount not less than the average annual aggregate amount or the average amount per full-time equivalent student it expended for such purposes during the two years preceding the base year;

"(3) for such fiscal control and fund accounting procedures as are necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part;

"(4) for making such reports as the Secretary may require, including a report on how such funds received under a grant were expended, and for keeping such records and for affording such access thereto as the Secretary deems necessary to assure the correctness and verification of such reports; and

"(5) a statement setting forth how the funds received under this part will be used to improve the quality of the institution's library services.

"(c) In order to be considered an eligible institution, an institution must provide the Secretary assurance that—

"(1) the expenditures of the institution per full-time equivalent student for library materials is less than the average of the expenditures for library materials per full-time equivalent student by other institutions of comparable size and program, as determined by the Secretary in accord with definitions established by the Center for Education Statistics; and

"(2) the number of volumes per full-time equivalent student is less than the average of such number of volumes held by institutions of comparable size and program, as determined by the

Secretary in accord with definitions established by the Center for Education Statistics.

"(d) If the Secretary determines, in accordance with regulations, that there are very unusual circumstances which prevent the applicant from making the assurance required by subsection (b)(2), the requirement for such assurance may be waived. For the purpose of this subsection, the term 'very unusual circumstances' means theft, vandalism, fire, flood, earthquake, or other occurrence which may temporarily reduce the level of expenditures for library materials, or which resulted in unusually high expenditures for library materials.

"(e) If the Secretary determines, in accordance with regulations, that there are very unusual circumstances which prevent an otherwise eligible institution from qualifying under subsection (c), the requirements of subsection (c) may be waived. The Secretary may not grant such waivers to more than 5 percent of the eligible institutions receiving grants under this part.

"(f) Grants under this part may be used only for books, periodicals, documents, magnetic tapes, computer software, phonographic records, audiovisual materials, and other related library materials (including necessary binding) and for the establishment and maintenance of networks for sharing library resources with other institutions of higher education.".

SEC. 203. DEFINITION OF FULL-TIME EQUIVALENT STUDENT.

Part A of title II of the Act is further amended by inserting after section 212 the following new sections:

"DEFINITION

"SEC. 213. For the purpose of this part, the term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time at such institution (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by 12).".

SEC. 204. REPEAL OF SPECIAL PURPOSE GRANTS.

(a) REPEAL.—Section 224 of the Act is repealed.

(b) CONFORMING AMENDMENTS.—(1) Section 221 of the Act is amended to read as follows:

"GRANTS AUTHORIZED

"SEC. 221. From the amounts appropriated for this part for any fiscal year, the Secretary shall make grants in accordance with sections 222 and 223. Of such amount, two-thirds shall be available for the purpose of section 222 and one-third shall be available for the purpose of section 223.".

(2) Section 231(b) of the Act is amended by striking out "or 224".

SEC. 205. RESEARCH AND DEMONSTRATION.

Section 223 of the Act is amended by striking out "and information technology,".

SEC. 206. STRENGTHENING RESEARCH LIBRARY RESOURCES.

Section 231 of the Act is further amended by inserting at the end thereof the following new subsection:

"(c) In determining eligibility for assistance under this part, the Secretary shall permit institutions that do not otherwise qualify to provide additional information or documents to demonstrate the national or international significance for scholarly research of the particular collection described in the grant proposal.".

SEC. 207. COLLEGE LIBRARY TECHNOLOGY AND COOPERATION.

Part D of title II of the Act is amended to read as follows:

"PART D—COLLEGE LIBRARY TECHNOLOGY AND COOPERATION GRANTS

"ESTABLISHMENT OF PROGRAM

"SEC. 241. (a) The Secretary is authorized to make grants for technological equipment and other special purposes to—

"(1) institutions of higher education which demonstrate a need for special assistance for the planning, development, acquisition, installation, maintenance, or replacement of technological equipment (including computer hardware and software) necessary to participate in networks for sharing of library resources;

"(2) combinations of higher education institutions which demonstrate a need for special assistance in establishing and strengthening joint-use library facilities, resources, or equipment;

"(3) other public and private nonprofit organizations which provide library and information services to institutions of higher education on a formal, cooperative basis for the purpose of establishing, developing, or expanding programs or projects that improve their services to institutions of higher education; and

"(4) institutions of higher education conducting research or demonstration projects to meet special national or regional needs in utilizing technology to enhance library or information sciences.

"(b) From funds appropriated for this part, the Secretary shall make competitive awards to institutions or combinations of institutions in each of the categories described in clauses (1) through (4) of subsection (a). The minimum award shall be $15,000 and may be expended over a 3-year period.

"(c) A grant under this section may be made only if the application (whether by an individual institution or a combination of institutions) is approved by the Secretary on the basis of criteria prescribed in regulations and provides satisfactory assurance that the applicant will expend during the 3-year period for which the grant is sought (from funds other than funds received under this title), for the same purpose as such grant, an amount from such other sources equal to not less than one-third of such grant.

"(d) This program shall be administered in the Department by an expert in library technology.".

TITLE III—INSTITUTIONAL AID

SEC. 301. INSTITUTIONAL AID REAUTHORIZED.

(a) AMENDMENT.—*Title III of the Act is amended to read as follows:*

"TITLE III—INSTITUTIONAL AID

"FINDINGS AND PURPOSES

"SEC. 301. (a) FINDINGS.—The Congress finds that—

"(1) many institutions of higher education in this era of declining enrollments and scarce resources face problems which threaten their ability to survive;

"(2) the problems relate to the management and fiscal operations of certain institutions of higher education, as well as to an inability to engage in long-range planning, recruitment activities, and development activities, including endowment building;

"(3) the title III program prior to 1985 did not always meet the specific development needs of historically Black colleges and universities and other institutions with large concentrations of minority, low-income students;

"(4) the solution of the problems of these institutions would enable them to become viable, fiscally stable and independent, thriving institutions of higher education;

"(5) providing a minimum level of assistance to all categories of eligible institutions will assure the continued participation of the institutions in the program established in title III and enhance their role in providing access and quality education to low-income and minority students;

"(6) these institutions play an important role in the American system of higher education, and there is a strong national interest in assisting them in solving their problems and in stabilizing their management and fiscal operations, and in becoming financially independent; and

"(7) there is a particular national interest in aiding those institutions of higher education that have historically served students who have been denied access to postsecondary education because of race or national origin and whose participation in the American system of higher education is in the Nation's interest so that equality of access and quality of postsecondary education opportunities may be enhanced for all students.

"(b) PURPOSE.—It is the purpose of this title to assist such institutions in equalizing educational opportunity through a program of Federal assistance.

"PART A—STRENGTHENING INSTITUTIONS

"PROGRAM PURPOSE

"SEC. 311. (a) GENERAL AUTHORIZATION.—The Secretary shall carry out a program, in accordance with this part, to improve the academic quality, institutional management, and fiscal stability of eligible institutions, in order to increase their self-sufficiency and

strengthen their capacity to make a substantial contribution to the higher education resources of the Nation.

"(b) GRANTS AWARDED; SPECIAL CONSIDERATION.—(1) From the sums available for this part under section 358(a)(1), the Secretary may award grants to any eligible institution with an application approved under section 351 in order to assist such an institution to plan, develop, or implement activities that promise to strengthen the institution.

"(2) Special consideration shall be given to any eligible institution—

"(A) which has endowment funds (other than any endowment fund built under section 332 of this Act as in effect on September 30, 1986, and under part B) the market value of which, per full-time equivalent student, is less than the average current market value of the endowment funds, per full-time equivalent student (other than any endowment fund built under section 332 of this Act as in effect on September 30, 1986, and under part B) at similar institutions; or

"(B) which has expenditures per full-time equivalent student for library materials which is less than the average of the expenditures for library materials per full-time equivalent student by other similarly situated institutions.

"(3) Special consideration shall be given to applications which propose, pursuant to the institution's plan, to engage in—

"(A) faculty development;

"(B) funds and administrative management;

"(C) development and improvement of academic programs;

"(D) acquisition of equipment for use in strengthening funds management and academic programs;

"(E) joint use of facilities such as libraries and laboratories; and

"(F) student services.

"DEFINITIONS; ELIGIBILITY

"SEC. 312. (a) EDUCATIONAL AND GENERAL EXPENDITURES.—For the purpose of this part, the term 'educational and general expenditures' means the total amount expended by an institution of higher education for instruction, research, public service, academic support (including library expenditures), student services, institutional support, scholarships and fellowships, operation and maintenance expenditures for the physical plant, and any mandatory transfers which the institution is required to pay by law.

"(b) ELIGIBLE INSTITUTION.—For the purpose of this part, the term 'eligible institution' means—

"(1) an institution of higher education—

"(A) which has an enrollment of needy students as required by subsection (c) of this section;

"(B) except as provided in section 352(b), the average educational and general expenditures of which are low, per full-time equivalent undergraduate student, in comparison with the average educational and general expenditures per full-time equivalent undergraduate student of institutions that offer similar instruction;

"(C)(i) is legally authorized to provide, and provides within the State, an educational program for which it awards a bachelor's degree, or (ii) is a junior or community college;

"(D) is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation;

"(E) except as provided in section 352(b) has, during the 5 academic years preceding the academic year for which it seeks assistance under this part—

"(i) met the requirement of either subparagraph (C)(i) or (C)(ii), or of both such subparagraphs (simultaneously or consecutively); and

"(ii) met the requirement of subparagraph (D); and

"(F) meets such other requirements as the Secretary may prescribe;

"(2) any branch of any institution of higher education described under paragraph (1) which by itself satisfies the requirements contained in subparagraphs (A) and (B) of such paragraph;

"(3) any institution of higher education which has an enrollment of which at least 20 percent are Mexican American, Puerto Rican, Cuban, or other Hispanic students, or combination thereof, and which also satisfies the requirements of subparagraphs (A) and (B) of paragraph (1);

"(4) any institution of higher education which has an enrollment of at least 60 percent American Indian, or in the case of Alaska natives, an enrollment of at least 5 percent, and which also satisfies the requirements of subparagraphs (A), (B), (C), and (D) of paragraph (1); and

"(5) any institution of higher education which has an enrollment of which at least 5 percent are Native Hawaiian, Asian American, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian, or any combination thereof, and which also satisfies the requirements of subparagraphs (A) and (B) of paragraph (1).

For purposes of the determination of whether an institution is an eligible institution under this paragraph, the factor described under paragraph (1)(A) shall be given twice the weight of the factor described under paragraph (1)(B).

"(c) Enrollment of Needy Students.—For the purpose of this part, the term 'enrollment of needy students' means an enrollment at an institution of higher education or a junior or community college which includes—

"(1) at least 50 percent of the degree students so enrolled who are receiving need-based assistance under title IV of this Act (other than loans for which an interest subsidy is paid pursuant to section 428), or

"(2) a substantial percentage of students receiving Pell Grants in the second preceding fiscal year, in comparison with the percentage of students receiving Pell Grants at all such institu-

tions in such fiscal year, unless the requirement of this subdivision is waived under section 352(a).

"(d) Full-Time Equivalent Students.—For the purpose of this part, the term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by 12) at such institution.

"(e) Junior or Community College.—For the purpose of this part, the term 'junior or community college' means an institution of higher education—

"(1) that admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution;

"(2) that does not provide an educational program for which it awards a bachelor's degree (or an equivalent degree); and

"(3) that—

"(A) provides an educational program of not less than 2 years that is acceptable for full credit toward such a degree, or

"(B) offers a 2-year program in engineering, mathematics, or the physical or biological sciences, designed to prepare a student to work as a technician or at the semiprofessional level in engineering, scientific, or other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles of knowledge.

"DURATION OF GRANT

"Sec. 313. (a) General Rule.—The Secretary may award a grant to an eligible institution under this part for—

"(1) not to exceed 3 years;

"(2) not to exceed 4 years; or

"(3) not to exceed 5 years.

"(b) Prohibition.—An eligible institution that is awarded a grant—

"(1) under paragraph (2) of subsection (a) shall not be eligible to receive a grant under this part during the 4 years immediately following the period that it received such grant; and

"(2) under paragraph (3) of subsection (a) shall not be eligible to receive a grant under this part during the 5 years immediately following the period that it received such grant.

"(c) Planning Grants.—Notwithstanding subsection (a), the Secretary may award a grant to an eligible institution under this part for a period of one year for the purpose of preparation of plans and applications for a grant under this part.

"Part B—Strengthening Historically Black Colleges and Universities

"FINDINGS AND PURPOSES

"Sec. 321. The Congress finds that—

"(1) the historically Black colleges and universities have contributed significantly to the effort to attain equal opportunity through postsecondary education for Black, low-income, and educationally disadvantaged Americans;

"(2) States and the Federal Government have discriminated in the allocation of land and financial resources to support Black public institutions under the Morrill Act of 1862 and its progeny, and against public and private Black colleges and universities in the award of Federal grants and contracts, and the distribution of Federal resources under this Act and other Federal programs which benefit institutions of higher education;

"(3) the current state of Black colleges and universities is partly attributable to the discriminatory action of the States and the Federal Government and this discriminatory action requires the remedy of enhancement of Black postsecondary institutions to ensure their continuation and participation in fulfilling the Federal mission of equality of educational opportunity; and

"(4) financial assistance to establish or strengthen the physical plants, financial management, academic resources, and endowments of the historically Black colleges and universities are appropriate methods to enhance these institutions and facilitate a decrease in reliance on governmental financial support and to encourage reliance on endowments and private sources.

"DEFINITIONS

"Sec. 322. For the purpose of this part:

"(1) The term 'graduate' means an individual who has attended an institution for at least three semesters and fulfilled academic requirements for undergraduate studies in not more than 5 consecutive school years.

"(2) The term 'part B institution' means any historically Black college or university that was established prior to 1964, whose principal mission was, and is, the education of Black Americans, and that is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation.

"(3) The term 'Pell Grant recipient' means a recipient of financial aid under subpart 1 of part A of title IV of this Act.

"(4) The term 'professional and academic areas in which Blacks are underrepresented' shall be determined by the Secretary and the Commissioner of the Bureau of Labor Statistics, on the basis of the most recent available satisfactory data, as professional and academic areas in which the percentage of Black Americans who have been educated, trained, and employed is less than the percentage of Blacks in the general population.

"(5) The term 'school year' means the period of 12 months beginning July 1 of any calendar year and ending June 30 of the following calendar year.

"GRANTS TO INSTITUTIONS

"SEC. 323. (a) GENERAL AUTHORIZATION; USES OF FUNDS.—From amounts available under section 358(a)(2) in any fiscal year the Secretary shall make grants (under section 324) to institutions which have applications approved by the Secretary (under section 325) for any of the following uses:

"(1) Purchase, rental, or lease of scientific or laboratory equipment for educational purposes, including instructional and research purposes.

"(2) Construction, maintenance, renovation, and improvement in classroom, library, laboratory, and other instructional facilities.

"(3) Support of faculty exchanges and faculty fellowships to assist in attaining advanced degrees in their field of instruction.

"(4) Academic instruction in disciplines in which Black Americans are underrepresented.

"(5) Purchase of library books, periodicals, microfilm, and other educational materials.

"(6) Tutoring, counseling, and student service programs designed to improve academic success.

"(b) LIMITATIONS.—(1) No grant may be made under this Act for any educational program, activity, or service related to sectarian instruction or religious worship, or provided by a school or department of divinity. For the purpose of this subsection, the term 'school or department of divinity' means an institution whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation, or to prepare them to teach theological subjects.

"(2) Not more than 50 percent of the allotment of any institution may be available for the purpose of constructing or maintaining a classroom, library, laboratory, or other instructional facility.

"ALLOTMENTS TO INSTITUTIONS

"SEC. 324. (a) ALLOTMENT; PELL GRANT BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-half that amount as the number of Pell Grant recipients in attendance at such institution at the end of the school year preceding the beginning of that fiscal year bears to the total number of Pell Grant recipients at all part B institutions.

"(b) ALLOTMENT; GRADUATES BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-fourth that amount as the number of graduates for such school year at such institution bears to the total number of graduates for such school year at all part B institutions.

"(c) ALLOTMENT; GRADUATE AND PROFESSIONAL STUDENT BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-fourth that amount as the number of graduates, who are admitted to and in attendance at a graduate or professional school in a degree program in disciplines

in which Blacks are underrepresented, bears to the number of such graduates for all part B institutions.

"(d) REALLOTMENT.—The amount of any part B institution's allotment under subsection (a), (b), or (c) for any fiscal year which the Secretary determines will not be required for such institution for the period such allotment is available shall be available for reallotment from time to time on such date during such period as the Secretary may determine to other part B institutions in proportion to the original allotment to such other institutions under this section for such fiscal year.

"(e) SPECIAL MERGER RULE.—(1) The Secretary shall permit any eligible institution for a grant under part B in any fiscal year prior to the fiscal year 1986 to apply for a grant under this part if the eligible institution has merged with another institution of higher education which is not so eligible or has merged with an eligible institution.

"(2) The Secretary may establish such regulations as may be necessary to carry out the requirement of paragraph (1) of this subsection.

"(f) SPECIAL RULE FOR CERTAIN DISTRICT OF COLUMBIA ELIGIBLE INSTITUTIONS.—In any fiscal year that the Secretary determines that Howard University or the University of the District of Columbia will receive an allotment under subsections (b) and (c) of this section which is not in excess of amounts received by Howard University under the Act of March 2, 1867 (14 Stat. 438; 20 U.S.C. 123), relating to annual authorization of appropriations for Howard University, or by the University of the District of Columbia under the District of Columbia Self-Government and Governmental Reorganization Act (87 Stat. 774) for such fiscal year, then Howard University and the University of the District of Columbia, as the case may be, shall be ineligible to receive an allotment under this section.

"APPLICATIONS

"SEC. 325. (a) CONTENTS.—No part B institution shall be entitled to its allotment of Federal funds for any grant under section 324 for any period unless that institution meets the requirements of subparagraphs (C), (D), and (E) of section 312(b)(1) and submits an application to the Secretary at such time, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require. Each such application shall—

"(1) provide that the payments under this Act will be used for the purposes set forth in section 322; and

"(2) provide for making an annual report to the Secretary and provide for—

"(A) conducting, except as provided in subparagraph (B), a financial and compliance audit of an eligible institution, with regard to any funds obtained by it under this title at least once every two years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

"(B) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of subparagraph (A) for the period covered by such audit.

"(b) APPROVAL.—The Secretary shall approve any application which meets the requirements of subsection (a) and shall not disapprove any application submitted under this part, or any modification thereof, without first affording such institution reasonable notice and opportunity for a hearing.

"PROFESSIONAL OR GRADUATE INSTITUTIONS

"SEC. 326. (a) GENERAL AUTHORIZATION.—(1) Subject to the availability of funds appropriated to carry out this section, the Secretary shall award program grants to each of the postgraduate institutions listed in subsection (e) that is determined by the Secretary to be making a substantial contribution to the legal, medical, dental, veterinary, or other graduate education opportunities for Black Americans.

"(2) No grant in excess of $500,000 may be made under this section unless the postgraduate institution provides assurances that 50 percent of the cost of the purposes for which the grant is made will be paid from non-Federal sources.

"(b) DURATION.—Grants shall be made for a period not to exceed 5 years. No more than two 5-year grants (for a period of not more than 10 years) may be made to any one undergraduate or postgraduate institution.

"(c) USES OF FUNDS.—A grant under this section may be used for—

"(1) any of the purposes enumerated under section 323;

"(2) to establish or improve a development office to strengthen and increase contributions from alumni and the private sector; and

"(3) to assist in the establishment or maintenance of an institutional endowment to facilitate financial independence pursuant to section 333 of this title.

"(d) APPLICATION.—Any institution eligible for a grant under this section shall submit an application which—

"(1) demonstrates how the grant funds will be used to improve graduate educational opportunities for Black and low-income students, and lead to greater financial independence; and

"(2) provides, in the case of applications for grants in excess of $500,000, the assurances required by subsection (a)(2) and specifies the manner in which the eligible institution is going to pay the non-Federal share of the cost of the application.

"(e) ELIGIBLE PROFESSIONAL OR GRADUATE INSTITUTIONS.—Independent professional or graduate institutions eligible for grants under subsection (a) include—

"(1) Morehouse School of Medicine;
"(2) Meharry Medical School;
"(3) Charles R. Drew Postgraduate Medical School;
"(4) Atlanta University; and
"(5) Tuskegee Institute School of Veterinary Medicine.

"REPORTING AND AUDIT REQUIREMENTS

"SEC. 327. (a) RECORDKEEPING.—Each recipient of a grant under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose—

"(1) the amount and disposition by such recipient of the proceeds of such assistance;

"(2) the cost of the project or undertaking in connection with which such assistance is given or used;

"(3) the amount of that portion of the cost of the project or undertaking supplied by other sources; and

"(4) such other records as will facilitate an effective audit.

"(b) REPAYMENT OF UNEXPENDED FUNDS.—Any funds paid to an institution and not expended or used for the purposes for which the funds were paid within 10 years following the date of the initial grant awarded to an institution under part B of this title shall be repaid to the Treasury of the United States.

"PART C—CHALLENGE GRANTS FOR INSTITUTIONS ELIGIBLE FOR ASSISTANCE UNDER PART A OR PART B

"ESTABLISHMENT OF CHALLENGE GRANT PROGRAM

"SEC. 331. (a) GENERAL AUTHORIZATION; ELIGIBILITY.—(1) From the sums available under section 360(a)(3) for each fiscal year, the Secretary may award a challenge grant to each institution—

"(A) which is an eligible institution under part A or would be considered to be such an institution if section 312(b)(1)(C) referred to a postgraduate degree rather than a bachelor's degree;

"(B) which is an institution under part B or would be considered to be such an institution if section 324 referred to a postgraduate degree rather than a baccalaureate degree; or

"(C) which is an institution that makes a substantial contribution to postgraduate medical educational opportunities for minorities and the economically disadvantaged.

"(2) The Secretary may waive the requirements set forth in subparagraphs (A) and (B) of paragraph (1) with respect to a postgraduate degree in the case of any institution otherwise eligible under such paragraph for a challenge grant upon determining that the institution makes a substantial contribution to medical education opportunities for minorities and the economically disadvantaged.

"(b) USES OF FUNDS.—A grant under this section may be used by an institution eligible for a grant under this section to assist the institution to achieve financial independence.

"(c) DURATION OF GRANT.—The Secretary may make a grant under this section for a period of not more than 5 years, subject to annual appropriations.

"(d) CONTENTS OF APPLICATIONS.—Any institution eligible for a challenge grant under this section may apply for such a grant under section 351, except that the application for the purpose of this part shall—

"(1) provide assurances that funds will be available to the applicant within one year to match funds that the Secretary is requested to make available to the institution as a challenge grant;

"(2) in the case of an application by a public institution, contain the recommendations of an appropriate State agency responsible for higher education in the State, or provide evidence that the institution requested the State agency to comment but the State agency failed to comment; and

"(3) demonstrate how challenge grant funds will be used to achieve financial independence.

"(e) NOTICE OF APPROVAL.—Not later than April 1 of the fiscal year preceding the fiscal year in which any grant is to be made under this section, the Secretary shall determine which institutions will receive challenge grants under such section and notify the institutions of the amount of the grant.

"(f) PREFERENCE.—In approving applications for such grants, preference shall be given to institutions which are receiving, or have received, grants under part A or part B of this title.

"ENDOWMENT CHALLENGE GRANTS

"SEC. 332. (a) PURPOSE; DEFINITIONS.—(1) The purpose of this section is to establish a program to provide matching grants to eligible institutions of higher education in order to establish or increase endowment funds at such institutions, to provide additional incentives to promote fund raising activities by such institutions, and to foster increased independence and self-sufficiency at such institutions.

"(2) For the purpose of this section:

"(A) The term 'endowment fund' means a fund established by State law, by an institution of higher education, or by a foundation which is exempt from taxation and is maintained for the purpose of generating income for the support of the institution, but which shall not include real estate.

"(B) The term 'endowment fund corpus' means an amount equal to the grant or grants awarded under this section plus an amount equal to such grant or grants provided by the institution.

"(C) The term 'endowment fund income' means an amount equal to the total value of the endowment fund established under this section minus the endowment fund corpus.

"(b) GRANTS AUTHORIZED.—(1) From sums available for this section under section 360, the Secretary is authorized to award challenge grants to eligible institutions of higher education to establish or increase an endowment fund at such institution. Such grants shall be made only to eligible institutions described in paragraph (4) whose applications have been approved pursuant to subsection (g).

"(2)(A) Except as provided in subparagraph (B), no institution shall receive a grant under this section, unless such institution has deposited in its endowment fund established under this section an amount equal to the amount of such grant. The source of funds for this institutional match shall not include Federal funds or funds from an existing endowment fund.

"(B) In any fiscal year in which the appropriations for this part exceeds $10,000,000, the Secretary may make a grant under this part to an eligible institution of higher education if such institution—

"(i) has deposited in its endowment fund established under this section an amount which is equal to one-half of the amount of such grant; and

"(ii) applies for a grant in an amount exceeding $1,000,000.

"(C) An eligible institution of higher education that is awarded a grant under this section shall not be eligible to reapply for a grant under this section during the 10 years immediately following the period that it received such grant.

"(3) The period of a grant under this section shall be not more than 20 years. During the grant period, an institution may not withdraw or expend any of the endowment fund corpus. After the termination of the grant period, an institution may use the endowment fund corpus plus any endowment fund income for any educational purpose.

"(4)(A) An institution of higher education is eligible to receive a grant under this section if it is an eligible institution as described in section 331(a)(1).

"(B) No institution shall be ineligible for a challenge grant under this section for a fiscal year by reason of the previous receipt of such a grant but no institution shall be eligible to receive such a grant for more than 2 fiscal years out of any period of 5 consecutive fiscal years.

"(5) Except as provided in paragraph (2)(B), a challenge grant under this section to an eligible institution year shall—

"(A) not be less than $50,000 for any fiscal year; and

"(B) not be more than (i) $250,000 for fiscal year 1987; or (ii) $500,000 for fiscal year 1988 or any succeeding fiscal year.

"(6)(A) An eligible institution may designate a foundation, which was established for the purpose of raising money for the institution, as the recipient of the grant awarded under this section.

"(B) The Secretary shall not award a grant to a foundation on behalf of an institution unless—

"(i) the institution assures the Secretary that the foundation is legally authorized to receive the endowment fund corpus and is legally authorized to administer the fund in accordance with this section and any implementing regulation;

"(ii) the foundation agrees to administer the fund in accordance with the requirements of this section and any implementing regulation; and

"(iii) the institution agrees to be liable for any violation by the foundation of the provisions of this section and any implementing regulation, including any monetary liability that may arise as a result of such violation.

"(c) GRANT AGREEMENT; ENDOWMENT FUND PROVISIONS.—(1) An institution awarded a grant under this section shall enter into an agreement with the Secretary containing satisfactory assurances that it will (A) immediately comply with the matching requirements of subsection (b)(2), (B) establish an endowment fund independent of any other such fund of the institution, (C) invest the endowment fund corpus, and (D) meet the other requirements of this section.

"(2)(A) An institution shall invest the endowment fund corpus and endowment fund income in low-risk securities in which a regulated insurance company may invest under the law of the State in which the institution is located such as a federally insured bank

savings account or comparable interest-bearing account, certificate of deposit, money market fund, mutual fund, or obligations of the United States.

"(B) The institution, in investing the endowment fund established under this section, shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion, and intelligence would exercise in the management of such person's own affairs.

"(3)(A) An institution may withdraw and expend the endowment fund income to defray any expenses necessary to the operation of such college, including expenses of operations and maintenance, administration, academic and support personnel, construction and renovation, community and student services programs, and technical assistance.

"(B)(i) Except as provided in clause (ii), an institution may not spend more than 50 percent of the total aggregate endowment fund income earned prior to the time of expenditure.

"(ii) The Secretary may permit an institution to spend more than 50 percent of the endowment fund income notwithstanding clause (i) if the institution demonstrates such an expenditure is necessary because of (I) a financial emergency, such as a pending insolvency or temporary liquidity problem; (II) a life-threatening situation occasioned by a natural disaster or arson; or (III) any other unusual occurrence or exigent circumstance.

"(d) Repayment Provisions.—(1) If at any time an institution withdraws part of the endowment fund corpus, the institution shall repay to the Secretary an amount equal to 50 percent of the withdrawn amount, which represents the Federal share, plus income earned thereon. The Secretary may use such repaid funds to make additional challenge grants, or to increase existing endowment grants, to other eligible institutions.

"(2) If an institution expends more of the endowment fund income than is permitted under subsection (c), the institution shall repay the Secretary an amount equal to 50 percent of the amount improperly expended (representing the Federal share thereof). The Secretary may use such repaid fund to make additional challenge grants, or to increase existing challenge grants, to other eligible institutions.

*"(e) Audit Information.—An institution receiving a * * * such information as the Secretary may prescribe. Subject to the availability of appropriations to carry out this section and consistent with the requirement of subsection (f), the Secretary may approve an application for a grant if an institution, in its application, provides adequate assurances that it will comply with the requirements of this section.*

"(h) Termination and Recovery Provisions.—(1) After notice and an opportunity for a hearing, the Secretary may terminate and recover a grant awarded under this section if the grantee institution—

"(A) expends portions of the endowment fund corpus or expends more than the permissible amount of the endowment funds income as prescribed in subsection (c)(3);

"(B) fails to invest the endowment fund in accordance with the investment standards set forth in subsection (c)(2); or

"(C) fails to properly account to the Secretary concerning the investment and expenditures of the endowment funds.

"(2) If the Secretary terminates a grant under paragraph (1), the grantee shall return to the Secretary an amount equal to the sum of each original grant under this section plus income earned thereon. The Secretary may use such repaid funds to make additional endowment grants, or to increase existing challenge grants, to other eligible institutions under this part.

"PART D—GENERAL PROVISIONS

"APPLICATIONS FOR ASSISTANCE

"SEC. 351. (a) APPLICATION REQUIRED; APPROVAL.—Any institution which is eligible for assistance under this title shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate its need for assistance. Subject to the availability of appropriations to carry out this title, the Secretary may approve an application for a grant under this title if the application meets the requirements of subsection (b) and shows that the applicant is eligible for assistance in accordance with the part of this title under which the assistance is sought.

"(b) CONTENTS.—An institution, in its application for a grant, shall—

"(1) set forth, or describe how the institution, (other than an institution applying under part C) will develop, a comprehensive development plan to strengthen the institution's academic quality and institutional management, and otherwise provide for institutional self-sufficiency and growth (including measurable objectives for the institution and the Secretary to use in monitoring the effectiveness of activities under this title);

"(2) set forth policies and procedures to ensure that Federal funds made available under this title for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of section 311(b) or 323, and in no case supplant those funds;

"(3) set forth policies and procedures for evaluating the effectiveness in accomplishing the purpose of the activities for which a grant is sought under this title;

"(4) provide for such fiscal control and fund accounting procedures as may be necessary to ensure proper disbursement of and accounting for funds made available to the applicant under this title;

"(5) provide (A) for making such reports, in such form and containing such information, as the Secretary may require to carry out the functions under this title, including not less than one report annually setting forth the institution's progress toward achieving the objectives for which the funds were awarded, and (B) for keeping such records and affording such access thereto, as the Secretary may find necessary to assure the correctness and verification of such reports;

"(6) provide that the institution will comply with the limitations set forth in section 352;

"(7) describe in a comprehensive manner any proposed project for which funds are sought under the application and include—

"(A) a description of the various components of the proposed project, including the estimated time required to complete each such component;

"(B) in the case of any development project which consists of several components (as described by the applicant pursuant to subparagraph (A)), a statement identifying those components which, if separately funded, would be sound investments of Federal funds and those components which would be sound investments of Federal funds only if funded under this title in conjunction with other parts of the development project (as specified by the applicant);

"(C) an evaluation by the applicant of the priority given any proposed project for which funds are sought in relation to any other projects for which funds are sought by the applicant under this title, and a similar evaluation regarding priorities among the components of any single proposed project (as described by the applicant pursuant to subparagraph (A));

"(D) information explaining the manner in which the proposed project will assist the applicant to prepare for the critical financial problems that all institutions of higher education will face during the subsequent decade as a result of declining enrollment, and other problems;

"(E) a detailed budget showing the manner in which funds for any proposed project would be spent by the applicant; and

"(F) a detailed description of any activity which involves the expenditure of more than $25,000, as identified in the budget referred to in subparagraph (E); and

"(8) include such other information as the Secretary may prescribe.

"(c) PRIORITY CRITERIA PUBLICATION REQUIRED.—The Secretary shall publish in the Federal Register, pursuant to chapter 5 of title 5, United States Code, all policies and procedures required to exercise the authority set forth in subsection (a). No other criteria, policies, or procedures shall apply.

"(d) ELIGIBILITY DATA.—The Secretary shall use the most recent and relevant data concerning the number and percentage of students receiving need-based assistance under title IV of this Act in making eligibility determinations under section 312 and shall advance the base year forward following each annual grant cycle.

"WAIVER AUTHORITY AND REPORTING REQUIREMENT

"SEC. 352. (a) WAIVER REQUIREMENTS; NEED-BASED ASSISTANCE STUDENTS.—The Secretary shall waive the requirements set forth in section 312(b)(1)(A) in the case of an institution—

"(1) which is extensively subsidized by the State in which it is located and charges low or no tuition;

"(2) which serves a substantial number of low- and middle-income students as a percentage of its total student population;

"(3) which is contributing substantially to increasing higher education opportunities for educationally disadvantaged, underrepresented, or minority students, who are low-income individuals;

"(4) which is substantially increasing higher educational opportunities for individuals in rural or other isolated areas which are unserved by postsecondary institutions;

"(5) located on or near an Indian reservation or a substantial population of Indians, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of American Indians; or

"(6) wherever located, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of Black Americans, Hispanic Americans, Native Americans, Asian Americans, or Pacific Islanders, including Native Hawaiians.

"(b) Waiver Determinations; Expenditures.—(1) The Secretary may waive the requirements set forth in section 312(b)(1)(B) if the Secretary determines, based on persuasive evidence submitted by the institution, that the institution's failure to meet that criterion is due to factors which, when used in the determination of compliance with such criterion, distort such determination, and that the institution's designation as an eligible institution under part A is otherwise consistent with the purposes of such parts.

"(2) The Secretary shall submit to the Congress every other year a report concerning the institutions which, although not satisfying the criterion contained in section 312(b)(1)(B), have been determined to be eligible institutions under part A institutions which enroll significant numbers of Black American, Hispanic, Native American, Asian American, or Native Hawaiian students under part A, as the case may be. Such report shall—

"(A) identify the factors referred to in paragraph (1) which were considered by the Secretary as factors that distorted the determination of compliance with subparagraphs (A) and (B) of section 312(b)(1); and

"(B) contain a list of each institution determined to be an eligible institution under part A including a statement of the reasons for each such determination.

"APPLICATION REVIEW PROCESS

"Sec. 353. (a) Review Panel.—(1) All applications submitted under this title by institutions of higher education shall be read by a panel of readers composed of individuals selected by the Secretary. The Secretary shall assure that no individual assigned under this section to review any application has any conflict of interest with regard to the application which might impair the impartiality with which the individual conducts the review under this section.

"(2) The Secretary shall take care to assure that representatives of historically and predominantly Black colleges, Hispanic institutions, Native American colleges and universities, and institutions with substantial numbers of Hispanics, Native Americans, Asian Americans, and Native American Pacific Islanders (including Native Hawaiians) are included as readers.

"(3) All readers selected by the Secretary shall receive thorough instruction from the Secretary regarding the evaluation process for applications submitted under this title and consistent with the provisions of this title, including—

"(A) explanations and examples of the types of activities referred to in section 311(b) that should receive special consideration for grants awarded under part A and of the types of activities referred to in section 323 that should receive special consideration for grants awarded under part B;

"(B) an enumeration of the factors to be used to determine the quality of applications submitted under this title; and

"(C) an enumeration of the factors to be used to determine whether a grant should be awarded for a project under this title, the amount of any such grant, and the duration of any such grant.

"(b) RECOMMENDATIONS OF PANEL.—In awarding grants under this title, the Secretary shall take into consideration the recommendations of the panel made under subsection (a).

"(c) NOTIFICATION.—Not later than June 30 of each year, the Secretary shall notify each institution of higher education making an application under this title of—

"(1) the scores given the applicant by the panel pursuant to this section;

"(2) the recommendations of the panel with respect to such application; and

"(3) the reasons for the decision of the Secretary in awarding or refusing to award a grant under this title, and any modifications, if any, in the recommendations of the panel made by the Secretary.

"COOPERATIVE ARRANGEMENTS

"SEC. 354. (a) GENERAL AUTHORITY.—The Secretary may make grants to encourage cooperative arrangements—

"(1) with funds available to carry out part A, between institutions eligible for assistance under part A and between such institutions and institutions not receiving assistance under this title; or

"(2) with funds available to carry out part B, between institutions eligible for assistance under part B and institutions not receiving assistance under this title;

for the activities described in section 311(b) or section 323, as the case may be, so that the resources of the cooperating institutions might be combined and shared to achieve the purposes of such parts and avoid costly duplicative efforts and to enhance the development of part A and part B eligible institutions.

"(b) PRIORITY.—The Secretary shall give priority to grants for the purposes described under subsection (a) whenever the Secretary determines that the cooperative arrangement is geographically and economically sound or will benefit the applicant institution.

"(c) DURATION.—Grants to institutions having a cooperative arrangement may be made under this section for a period as determined under section 313 or section 323.

"SPECIAL PAYMENTS RULES

"SEC. 355. (a) HISTORICALLY BLACK COLLEGE PAYMENTS RULE.—Any historically Black college or university which, prior to September 30, 1986, received a grant under part A of this title as in effect prior to such date and continues to receive a grant under such part A for any fiscal year beginning after September 30, 1986, and ending prior to October 1, 1991, shall be paid from amounts appropriated to carry out part B of this title.

"(b) OTHER INSTITUTIONS SPECIAL PAYMENT RULE.—Each eligible institution other than an historically Black college or university which received a grant under part B of this title as in effect prior to such date and continues to receive a grant under such part B for any fiscal year beginning after September 30, 1986, and ending prior to October 1, 1991, shall be paid out of appropriations made pursuant to part A.

"(c) SPECIAL RULE FOR UNOBLIGATED PART A AND PART B FUNDS.—In any fiscal year in which amounts appropriated pursuant to part A or part B for this title are available for obligation in the year succeeding the year in which the funds were appropriated, the Secretary shall make such funds available for grants under section 332, relating to the endowment challenge grant program, for the same type of institution for which the grants would have been made had the funds been paid pursuant to such part A or part B.

"ASSISTANCE TO INSTITUTIONS UNDER OTHER PROGRAMS

"SEC. 356. (a) ASSISTANCE ELIGIBILITY.—Each institution which the Secretary determines to be an institution eligible under part A or an institution eligible under part B shall be eligible for waivers in accordance with subsection (b).

"(b) WAIVER APPLICABILITY.—(1) Subject to, and in accordance with, regulations promulgated for the purpose of this section, in the case of any application by an institution referred to in subsection (a) for assistance under any programs specified in paragraph (2), the Secretary is authorized, if such application is otherwise approvable, to waive any requirement for a non-Federal share of the cost of the program or project, or, to the extent not inconsistent with other law, to give, or require to be given, priority consideration of the application in relation to applications from other institutions.

"(2) The provisions of this section shall apply to any program authorized by title II, IV, VII, or VIII of this Act.

"(c) LIMITATION.—The Secretary shall not waive, under subsection (b), the non-Federal share requirement for any program for applications which, if approved, would require the expenditure of more than 10 percent of the appropriations for the program for any fiscal year.

"LIMITATIONS

"SEC. 357. The funds appropriated under section 360 may not be used—

"(1) for a school or department of divinity or any religious worship or sectarian activity;

"(2) for an activity that is inconsistent with a State plan for desegregation of higher education applicable to such institution;

"(3) for an activity that is inconsistent with a State plan of higher education applicable to such institution; or

"(4) for purposes other than the purposes set forth in the approved application under which the funds were made available to the institution.

"PENALTIES

"SEC. 358. Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any recipient of Federal financial assistance or grant pursuant to this title embezzles, willfully misapplies, steals, or obtains by fraud any of the funds which are the subject of such grant or assistance, shall be fined not more than $10,000 or imprisoned for not more than 2 years, or both.

"CHALLENGE GRANT APPLICATION REQUIRED

"SEC. 359. The Secretary shall not make a Challenge Grant to any grantee institution under section 313(a)(2) or under part B which has not applied for funds under part C and complied with section 332(a)(1) of part C after September 30, 1989.

"AUTHORIZATIONS OF APPROPRIATIONS

"SEC. 360. (a) AUTHORIZATIONS.—(1) There are authorized to be appropriated to carry out part A $120,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(2)(A) There are authorized to be appropriated to carry out part B (other than section 326) $100,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(B) There are authorized to be appropriated to carry out section 326 $5,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(3) There are authorized to be appropriated to carry out part C $20,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(4) Funds appropriated for part C shall remain available until expended.

"(b) USE OF MULTIPLE YEAR AWARDS.—In the event of a multiple year award to any institution under this title, the Secretary shall make funds available for such award from funds appropriated for this title for the fiscal year in which such funds are to be used by the recipient.

"(c) RESERVATIONS.—If the amount appropriated under subsection (a)(1) for part A for any fiscal year beginning after September 30, 1986, equals or exceeds the amount appropriated for such part for fiscal year 1986—

> *"(1) the Secretary shall, for such fiscal year, make available for use for the purposes of part A to institutions that are junior or community colleges not less than $51,400,000; and*
>
> *"(2) the Secretary shall, for such fiscal year—*
>
> > *"(A) allocate 25 percent of the excess (above the amount appropriated for part A for fiscal year 1986) among eligible institutions with the highest percentages of students who are Black Americans, Hispanic Americans, Native Ameri-*

cans, Asian Americans, Native Hawaiians, or Pacific Islanders, or any combination thereof; and

"(B) allocate 75 percent of such excess among other eligible institutions.

"(d) RATABLE REDUCTION IN FISCAL YEARS IN WHICH AMOUNTS APPROPRIATED ARE INSUFFICIENT.—In any fiscal year in which the sums appropriated for part A are insufficient to make the reservations required by subsection (c) of this section, the Secretary shall ratably reduce the amount of the reservation.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect July 1, 1987.

TITLE IV—STUDENT ASSISTANCE

SEC. 401. STUDENTS GRANTS REAUTHORIZED.

(a) AMENDMENT.—Part A of title IV of the Act (20 U.S.C. 1070 et seq.) is amended to read as follows:

"TITLE IV—STUDENT ASSISTANCE

"PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

"STATEMENT OF PURPOSE; PROGRAM AUTHORIZATION

"SEC. 401. (a) PURPOSE.—It is the purpose of this part, to assist in making available the benefits of postsecondary education to eligible students (defined in accordance with section 484) in institutions of higher education by—

"(1) providing basic educational opportunity grants to all eligible students;

"(2) providing supplemental educational opportunity grants to those students who demonstrate financial need;

"(3) providing for payments to the States to assist them in making financial aid available to such students;

"(4) providing for special programs and projects designed (A) to identify and encourage qualified youths with financial or cultural need with a potential for postsecondary education, (B) to prepare students from low-income families for postsecondary education, and (C) to provide remedial (including remedial language study) and other services to students; and

"(5) providing assistance to institutions of higher education.

"(b) SECRETARY REQUIRED TO CARRY OUT PURPOSES.—The Secretary shall, in accordance with subparts 1 through 8, carry out programs to achieve the purposes of this part.

"SUBPART 1—BASIC EDUCATIONAL OPPORTUNITY GRANTS

"BASIC EDUCATIONAL OPPORTUNITY GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS

"SEC. 411. (a) PROGRAM AUTHORITY AND METHOD OF DISTRIBUTION.—(1) The Secretary shall, during the period beginning July 1, 1972, and ending September 30, 1992, pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 484) for each academic year during

which that student is in attendance at an institution of higher education, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2). Not less than 85 percent of such sums shall be advanced to eligible institutions prior to the start of each payment period and shall be based upon an amount requested by the institution as needed to pay eligible students.

"(2) Nothing in this section shall be interpreted to prohibit the Secretary from paying directly to students, in advance of the beginning of the academic term, an amount for which they are eligible, in cases where the eligible institution elects not to participate in the disbursement system required by paragraph (1).

"(3) Basic grants made under this subpart shall be known as 'Pell Grants'.

"(b) Purpose and Amount of Grants.—(1) The purpose of this subpart is to provide a basic grant that (A) as determined under paragraph (2), will meet 60 percent of a student's cost of attendance (as defined in section 411F); and (B) in combination with reasonable parental or independent student contribution and supplemented by the programs authorized under subparts 2 and 3 of this part, will meet 75 percent of a student's cost of attendance (as defined in section 472), unless the institution determines that a greater amount of assistance would better serve the purposes of section 401.

"(2)(A) The amount of the basic grant for a student eligible under this part shall be—

"(i) $2,300 for academic year 1987–1988,
"(ii) $2,500 for academic year 1988–1989,
"(iii) $2,700 for academic year 1989–1990,
"(iv) $2,900 for academic year 1990–1991, and
"(v) $3,100 for academic year 1991–1992,

less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.

"(B) In any case where a student attends an institution of higher education on less than a full-time basis during any academic year, the amount of the basic grant to which that student is entitled shall be reduced in proportion to the degree to which that student is not so attending on a full-time basis, in accordance with a schedule of reductions established by the Secretary for the purposes of this division. Such schedule of reductions shall be established by regulation and published in the Federal Register in accordance with section 482 of this Act.

"(3) The amount of a basic grant to which a student is entitled under this subpart for any academic year shall not exceed 60 percent of the cost of attendance (as defined in section 411F) at the institution at which the student is in attendance for that year.

"(4) No basic grant under this subpart shall exceed the difference between the expected family contribution for a student and the cost of attendance (as defined in section 411F) at the institution at which that student is in attendance. If with respect to any student, it is determined that the amount of a basic grant plus the amount of the expected family contribution for that student exceeds the cost of attendance for that year, the amount of the basic grant shall be reduced until the combination of expected family contribution and

the amount of the basic grant does not exceed the cost of attendance at such institution.

"(5) No basic grant shall be awarded to a student under this subpart if the amount of that grant for that student as determined under this subsection for any academic year is less than $200.

"(6) No basic grant shall be awarded under this subpart to any student who is attending on a less than half-time basis—

"(A) from funds appropriated for fiscal years before fiscal year 1989;

"(B) from funds appropriated for fiscal year 1989 or 1990, unless the expected family contribution for such student is less than or equal to zero; or

"(C) from funds appropriated for fiscal year 1991, unless the expected family contribution for such student is less than or equal to $200.

"(7) No basic grant shall be awarded under this subpart from funds appropriated for fiscal year 1989 to students who are attending on a less than half-time basis if awarding basic grants to such students would cause basic grants to other students to be reduced pursuant to subsection (g). The provisions of this paragraph may not be waived unless enacted in express limitation of this paragraph.

"(c) PERIOD OF ELIGIBILITY FOR GRANTS.—(1) The period during which a student may receive basic grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance except that—

"(A) such period may not exceed the full-time equivalent of—

"(i) 5 academic years in the case of an undergraduate degree or certificate program normally requiring 4 years or less;

"(ii) 6 academic years in the case of an undergraduate degree or certificate program normally requiring more than 4 years;

"(B) any period during which the student is enrolled in a noncredit or remedial course of study as defined in paragraph (2) shall not be counted for the purpose of subparagraph (A); and

"(C) an institution of higher education at which the student is in attendance may waive subparagraph (A) for undue hardship based on—

"(i) the death of a relative of the student;

"(ii) the personal injury or illness of the student; or

"(iii) special circumstances as determined by the institution.

"(2) Nothing in this section shall exclude from eligibility courses of study which are noncredit or remedial in nature (including courses in English language instruction) which are determined by the institution to be necessary to help the student be prepared for the pursuit of a first undergraduate baccalaureate degree or certificate or, in the case of courses in English language instruction, to be necessary to enable the student to utilize already existing knowledge, training, or skills.

"(3) No student is entitled to receive Pell Grant payments concurrently from more than one institution or from the Secretary and an institution.

"(d) Applications for Grants.—(1) The Secretary shall from time to time set dates by which students shall file applications for basic grants under this subpart.

"(2) Each student desiring a basic grant for any year shall file an application therefor containing such information and assurances as the Secretary may deem necessary to enable the Secretary to carry out the functions and responsibilities of this subpart.

"(e) Distribution of Grants to Students.—Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purpose of this section. Any disbursement allowed to be made by crediting the student's account shall be limited to tuition and fees and, in the case of institutionally owned housing, room and board. The student may elect to have the institution provide other such goods and services by crediting the student's account.

"(f) Calculation of Eligibility.—(1) Each contractor processing applications for awards under this subpart (including a central processor, if any, designated by the Secretary) shall, in a timely manner, furnish to the student financial aid administrator (at each institution of higher education which a student awarded a basic grant under this subpart is attending) an estimate of the eligibility index for each such student. Each such student financial aid administrator shall—

> *"(A) examine and assess the data used to calculate the eligibility index of the student furnished pursuant to this subsection;*
>
> *"(B) recalculate the eligibility index of the student if there has been a change in circumstances of the student or in the data submitted;*
>
> *"(C) make the award to the student in the correct amount; and*
>
> *"(D) after making such award report the corrected data to such contractor and to a central processor (if any) designated by the Secretary for a confirmation of the correct computation of amount of the eligibility index for each such student.*

"(2) Whenever a student receives an award under this subpart that, due to recalculation errors by the institution of higher education, is in excess of the amount which the student is entitled to receive under this subpart, such institution of higher education shall pay to the Secretary the amount of such excess unless such excess can be resolved in a subsequent disbursement to the institution.

"(3) Each contractor processing applications for awards under this subpart shall for each academic year after academic year 1986-1987 prepare and submit a report to the Secretary on the correctness of the computations of amount of the eligibility index, and on the accuracy of the questions on the application form under this subpart for the previous academic year for which the contractor is responsible. The Secretary shall transmit the report, together with the comments and recommendations of the Secretary, to the Committee on Appropriations and the Committee on Labor and Human Resources

of the Senate and the Committee on Appropriations and the Committee on Education and Labor of the House of Representatives.

"(g) ADJUSTMENTS FOR INSUFFICIENT APPROPRIATIONS.—(1) If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b), the amount paid with respect to each entitlement shall be—

"(A) the full amount for any student whose expected family contribution is $200 or less, or

"(B) a percentage of that entitlement, as determined in accordance with a schedule of reductions established by the Secretary for this purpose, for any student whose expected family contribution is more than $200.

"(2) Any schedule established by the Secretary for the purpose of paragraph (1) of this subsection shall contain a single linear reduction formula in which the percentage reduction increases uniformly as the entitlement decreases, and shall provide that if an entitlement is reduced to less than $100, no payment shall be made.

"(h) USE OF EXCESS FUNDS.—(1) If, at the end of a fiscal year, the funds available for making payments under this subpart exceed the amount necessary to make the payments required under this subpart to eligible students by 15 percent or less, then all of the excess funds shall remain available for making payments under this subpart during the next succeeding fiscal year.

"(2) If, at the end of a fiscal year, the funds available for making payments under this subpart exceed the amount necessary to make the payments required under this subpart to eligible students by more than 15 percent, then all of such funds shall remain available for making such payments but payments may be made under this paragraph only with respect to entitlements for that fiscal year.

"(i) NONCONTRACTOR STATUS OF INSTITUTIONS.—Any institution of higher education which enters into an agreement with the Secretary to disburse to students attending that institution the amounts those students are eligible to receive under this subpart shall not be deemed, by virtue of such agreement, a contractor maintaining a system of records to accomplish a function of the Secretary.

"FAMILY CONTRIBUTION SCHEDULE FOR PELL GRANTS; DATA ELEMENTS

"SEC. 411A. (a) GENERAL RULE FOR DETERMINATION OF EXPECTED FAMILY CONTRIBUTION.—(1) The expected family contribution—

"(A) for a dependent student shall be determined in accordance with section 411B;

"(B) for an independent student with dependents other than a spouse shall be determined in accordance with section 411C; and

"(C) for a single independent student or a married independent student without other dependents shall be determined in accordance with section 411D.

"(2) The following data elements are considered in determining the expected family contribution:

"(A) the effective income of (i) the student and the student's spouse; and (ii) the student's parents, in the case of a dependent student;

"(B) the number of family members in the household;

"(C) the number of family members in the household who are enrolled, on at least a half-time basis, in a program of postsecondary education;

"(D) the assets of (i) the student and the student's spouse, and (ii) the student's parents, in the case of a dependent student;

"(E) the marital status of the student;

"(F) the unusual medical expenses of (i) the student's parents, in the case of a dependent student, or (ii) the student and the student's spouse, in the case of an independent student;

"(G) the additional expenses incurred (i) in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed, or (ii) in the case of an independent student, when both the student and the student's spouse are employed or when the employed student qualifies as a surviving spouse or as a head of a household under section 2 of the Internal Revenue Code of 1954; and

"(H) the tuition paid (i) in the case of a dependent student, by the student's parents for dependent children, other than the student, who are enrolled in an elementary or secondary school, (ii) in the case of an independent student, by the student or the student's spouse for dependent children who are so enrolled.

"ELIGIBILITY DETERMINATION FOR DEPENDENT STUDENTS

"SEC. 411B. (a) COMPUTATION OF STUDENT AID INDEX.—For each dependent student, the student aid index is equal to the sum of—

"(1) the contribution from parents' income and assets, determined in accordance with subsection (b);

"(2) the contribution from student's (and spouse's) income, determined in accordance with subsection (h); and

"(3) the contribution from student's (and spouse's) assets, determined in accordance with subsection (i).

"(b) CONTRIBUTION FROM PARENTS' INCOME AND ASSETS.—The parents' contribution from income and assets is equal to the amount determined by—

"(1) computing the standard contribution from parents' income, determined in accordance with subsection (c);

"(2) adding the contribution from parents' assets, determined in accordance with subsection (g); and

"(3) dividing the resultant amount by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which aid under this subpart is requested.

"(c) STANDARD CONTRIBUTION FROM PARENTS' INCOME.—The standard contribution from parents' income is determined by calculating the effective family income in accordance with subsection (d), by deducting the total offsets against income, as determined in accordance with subsection (e), and by assessing the results in accordance with subsection (f).

"(d) DETERMINATION OF EFFECTIVE FAMILY INCOME.—The effective family income is equal to—

"(1) the sum of—

"(A) the adjusted gross income of the parents as reported to the Internal Revenue Service for the year immediately preceding the award year, and income earned from work but not reported on a Federal income tax return; and

"(B) the total annual amount of untaxed income and benefits, received by the parents in the year immediately preceding the award year; minus

"(2) the sum of—

"(A) the amount of United States income tax paid or payable by the parents in the tax year preceding the award year; and

"(B) an allowance for State and other taxes, as determined by multiplying the parents' total income (as determined under paragraph (1)) by a percentage determined according to the following table:

"Percentages for Computation of State and Other Tax Allowance

If parents' State or territory of residence is—	And parents' total income is— less than $15,000	$15,000 or more
	then the percentage is—	
Alaska, Puerto Rico, Wyoming	3	2
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	4	3
Florida, South Dakota, Tennessee, New Mexico	5	4
North Dakota, Washington	6	5
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virginia	7	6
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	8	7
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	9	8
Maine, New Jersey	10	9
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	11	10
Michigan, Minnesota	12	11
Wisconsin	13	12
New York	14	13

"(c) TOTAL OFFSETS AGAINST INCOME.—Total offsets against income are determined by deducting—

"(1) a family size offset as determined by the following table:

"FAMILY SIZE OFFSETS

Family members	Amount
2	[illegible]
3	[illegible]
4	[illegible]
5	[illegible]
6	[illegible]
7 or more	[illegible] plus $[illegible] for each member over 7

"(2) an offset for unusual medical and dental expenses;

"(3) an offset for employment expenses; and

"(4) an offset for unreimbursed elementary and secondary school tuition and fees.

"(f) *Assessment of Effective Family Income.*—(1) If the effective family income (as determined under subsection (d)) minus the total offsets (as determined under subsection (e)) is a negative amount, the standard contribution from the parents' income is zero.

"(2) If such effective family income is a positive amount, the standard contribution from effective family income is determined in accordance with the following chart:

"Effective family income	Expected contribution
$0 to $1,000	[illegible]% of effective family income.
$1,001 to $10,000	$[illegible], plus [illegible]% of amount over $1,000.
$10,001 to $15,000	$[illegible], plus [illegible]% of amount over $10,000.
$15,001 and above	$[illegible], plus [illegible]% of amount over $15,000.

"(g) *Contribution From Parents' Assets.*—The standard contribution from parents' assets is determined in accordance with paragraphs (1) through (7).

"(1) If the parental assets include a principal place of residence, deduct $30,000 from the net value of the principal place of residence. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(2) If the parental assets include assets other than a principal place of residence and other than farm and business assets, deduct $15,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(3) If the parental assets include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(4) If the sum of the farm and business deduction and the deductions in paragraphs (1) and (2) exceeds $110,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced to the amount that that sum exceeds $110,000, or $130,000, as the case may be.

"(5)(A) The expected contribution from parental assets equals 5 percent of the total of the amounts obtained under paragraphs (1), (2), and (3).

"(B) If the calculation of effective family income required by subsection (d) produces a negative number, the expected contribution from parental assets, calculated under this paragraph, shall be reduced by the amount of that negative effective family income. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(6)(A) If the student's parents are separated, or divorced and not remarried, only the assets of the parent whose income is in-

cluded in computing annual adjusted family income shall be considered.

"(B) If that parent has remarried, or if the parent was a widow or widower who has remarried, and the parent's spouse's income also is included in computing effective family income, the assets of that parent's spouse shall also be included.

"(7) The Secretary shall promulgate special regulations to permit, in the computation of family contributions for the programs under this subpart for any academic year, the exclusion from family income of any proceeds of a sale of farm or business assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(h) CONTRIBUTION FROM STUDENT'S (AND SPOUSE'S) INCOME.—The contribution from student's (and spouse's) income is determined by calculating the student's (and spouse's) effective income, as determined in accordance with subsection (i), by deducting the total offsets against income, as determined in accordance with subsection (j), and by assessing the results in accordance with subsection (k).

"(i) DETERMINATION OF STUDENT'S (AND SPOUSE'S) EFFECTIVE INCOME.—The effective income of the student (and spouse) is equal to—

"(1) the sum of—

"(A) the adjusted gross income of the student (and spouse) as reported to the Internal Revenue Service for the year immediately preceding the award year, or income earned from work other than amounts earned under part C of this title, but not reported on a Federal income tax return; and

"(B) the total annual amount of untaxed income and benefits received by the student (and spouse) in the year immediately preceding the award year; minus

"(2) the amount of United States income tax paid or payable by the student (and spouse) in the tax year preceding the award year.

"(j) TOTAL OFFSETS AGAINST STUDENT'S (AND SPOUSE'S) INCOME.—Total offsets against student's (and spouse's) income are determined by deducting—

"(1) a dependent student offset of $1,000, or $1,100 in the case of a dependent student with a spouse; and

"(2) if the parental effective family income (as determined under subsection (f)) is a negative amount, the amount, if any, by which the result of the subtraction performed under subsection (g)(1) is less than zero.

"(k) ASSESSMENT OF STUDENT'S (AND SPOUSE'S) INCOME.—If the student's (and spouse's) effective income (as determined under subsection (i)) minus the total offsets (as determined under subsection (j)) is a negative amount, the contribution from student income is zero. If the student's (and spouse's) effective income is a positive amount, multiply it by 70 percent to determine the contribution from student's income.

"(l) DETERMINATION OF CONTRIBUTION FROM STUDENT'S (AND SPOUSE'S) ASSETS.—The contribution from the student's (and

spouse's assets is determined by calculating the net assets of the student and spouse and multiplying the amount by 33 percent.

"ELIGIBILITY DETERMINATION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE

"SEC. 411F. (a) COMPUTATION OF ELIGIBILITY AND INDEX.—For independent students with dependents other than a spouse, the student aid index is equal to the amount determined by—

"(1) computing the standard contribution from student's and spouse's income determined in accordance with subsection (b);

"(2) adding the contribution from student's and spouse's assets determined in accordance with subsection (f); and

"(3) dividing the resultant amount by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which aid under this subpart is requested.

"(b) COMPUTATION FOR STANDARD CONTRIBUTION FROM STUDENT'S AND SPOUSE'S INCOME.—The standard contribution from the student's and spouse's income is determined by calculating the effective family income in accordance with subsection (c), by deducting the total offsets against income, as determined in accordance with subsection (d), and by assessing the results in accordance with subsection (e).

"(c) DETERMINATION OF EFFECTIVE FAMILY INCOME.—The effective family income is equal to—

"(1) the sum of—

"(A) the adjusted gross income of the student and spouse as reported to the Internal Revenue Service for the year immediately preceding the award year and income earned from work (other than amounts received under part C of this title) but not reported on a Federal income tax return;

"(B) the total annual amount of untaxed income and benefits which is received by the student and spouse in the year immediately preceding the award year; and

"(C) one-half of the student's total veterans educational benefits, including Veterans' Administration contributory benefits, expected to be received during the award period; minus

"(2) the sum of—

"(A) the amount of United States income tax paid or payable by the student and spouse in the tax year preceding the award year; and

"(B) an allowance for State and other taxes as determined by multiplying the student's and spouse's total income (as determined under paragraph (1)) by a percentage determined according to the following table:

"*Percentages for Computation of State and Other Tax Allowance*

If student's State or territory of residence is—	*And student's (and spouse's) total income is—*	
	less than $15,000	*$15,000 or more*
	then the percentage is—	
Alaska, Puerto Rico, Wyoming	*3*	*2*
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	*4*	*3*
Florida, South Dakota, Tennessee, New Mexico	*5*	*4*
North Dakota, Washington	*6*	*5*
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virginia	*7*	*6*
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	*8*	*7*
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	*9*	*8*
Maine, New Jersey	*10*	*9*
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	*11*	*10*
Michigan, Minnesota	*12*	*11*
Wisconsin	*13*	*12*
New York	*14*	*13*

"(d) TOTAL OFFSETS AGAINST INCOME.—Total offsets against income are determined by deducting—

"(1) a family size offset equal to the amount specified in the following table:

"FAMILY SIZE OFFSETS

Family members	***Amount***
2	*$6,700*
3	*8,100*
4	*10,400*
5	*12,300*
6	*13,800*
7 or more	*13,800 plus $1,800 or each member over 6*

"(2) an offset for unusual medical and dental expenses;

"(3) in the case of a married independent student when both the student and spouse were employed in the year for which income is reported, or in the case of a student who qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, an offset for employment expenses; and

"(4) an offset for unreimbursed elementary and secondary school tuition and fees.

"(e) ASSESSMENT OF EFFECTIVE FAMILY INCOME.—(1) If the effective family income (as determined under subsection (c)) minus the total offsets (as determined under subsection (d)) is a negative amount, the standard contribution from the student's (and spouse's) income is zero.

"(2) If such effective family income is a positive amount, the standard contribution from effective family income is determined in accordance with the following chart:

"Effective family income	***Expected contribution***
$0 to $5,000	*11% of effective family income.*
$5,001 to $10,000	*$550, plus 13% of amount over $5,000*

"Effective family income	*Expected contribution*
$10,001 to $15,000	*$1,200, plus 18% of amount over $10,000.*
$15,001 and above	*$2,100, plus 25% of amount over $15,000.*

"(f) CONTRIBUTION FROM STUDENT'S (AND SPOUSE'S) ASSETS.—The standard contribution from student's (and spouse's) assets is determined in accordance with paragraphs (1) through (7):

"(1) If the student's (and spouse's) assets include a principal place of residence, deduct $30,000 from the net value of the principal place of residence. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(2) If the student's (and spouse's) assets include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(3) If the student's (and spouse's) assets include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(4) If the sum of the farm and business deduction and the deductions in paragraphs (1) and (2) exceeds $110,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $110,000, or $130,000, as the case may be.

"(5)(A) The expected contribution from student's (and spouse's) assets equals 5 percent of the total of the amounts obtained under paragraphs (1), (2), and (3).

"(B) If the calculation of effective family income required by subsection (c) produces a negative number, the expected contribution from student's (and spouse's) assets, calculated under this paragraph, shall be reduced by the amount of that negative effective family income. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(6) If the married independent student with dependents is separated or divorced, only assets of the independent student shall be considered.

"(7) The Secretary shall promulgate special regulations to permit, in the computation of family contributions for the programs under this subpart for any academic year, the exclusion from family income of any proceeds of a sale of farm or business assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"ELIGIBILITY DETERMINATION FOR SINGLE INDEPENDENT STUDENTS OR FOR MARRIED INDEPENDENT STUDENTS WITHOUT OTHER DEPENDENTS

"SEC. 411D. (a) COMPUTATION OF STUDENT AID INDEX.—For single independent students or married independent students without other dependents, the student aid index is equal to the amount determined by—

"(1) computing the standard contribution from student's (and spouse's) income determined in accordance with subsection (b);

"(2) adding contribution from student's (and spouse's) assets determined in accordance with subsection (f); and

"(3) dividing the resultant amount by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which aid under this subpart is requested.

"(b) COMPUTING THE STANDARD CONTRIBUTION FROM STUDENT'S (AND SPOUSE'S) INCOME.—The standard contribution from the student's (and spouse's) income is determined by calculating the effective family income in accordance with subsection (c); by deducting the total offsets against income, as determined in accordance with subsection (d); and by assessing the results in accordance with subsection (e).

"(c) DETERMINATION OF EFFECTIVE FAMILY INCOME.—The effective family income is equal to—

"(1) the sum of—

"(A) the adjusted gross income of the student (and spouse) as reported to the Internal Revenue Service for the year immediately preceding the award year and income earned from work, other than amounts received under part C of this title, but not reported on a Federal income tax return;

"(B) the total annual amount of untaxed income and benefits which is received by the student (and spouse) in the year immediately preceding the award year; and

"(C) one-half of the student's total veterans educational benefits, excluding Veterans' Administration contributory benefits, expected to be received during the award period; minus

"(2) the sum of—

"(A) the amount of United States income tax paid or payable by the student (and spouse) in the tax year preceding the award year; and

"(B) an allowance for State and other taxes as determined by multiplying the student's (and spouse's) total income (as determined under paragraph (1)), by a percentage determined according to the following table:

"Percentages for Computation of State and Other Tax Allowance

If student's State or territory of residence is—	And student's (and spouse's) total income is—	
	less than $15,000	$15,000 or more
	then the percentage is—	
Alaska, Puerto Rico, Wyoming	3	2
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	4	3
Florida, South Dakota, Tennessee, New Mexico	5	4
North Dakota, Washington	6	5
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virginia	7	6
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	8	7
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	9	8
Maine, New Jersey	10	9
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	11	10
Michigan, Minnesota	12	11
Wisconsin	13	12
New York	14	13

"(d) TOTAL OFFSETS AGAINST INCOME.—Total offsets against income are determined by deducting—

"(1) a family size offset equal to the amount specified in the following table:

"Family Size Offsets

Family members	Amount
1	$5,300
2	6,700

"(2) an offset for unusual medical and dental expenses; and

"(3) in the case of a married independent student when both the student and spouse were employed in the year for which income is reported, or in the case of a student who qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, an offset for employment expenses.

"(e) ASSESSMENT OF EFFECTIVE FAMILY INCOME.—(1) If the effective family income (as determined under subsection (c)), minus the total offsets (as determined under subsection (d)) is a negative amount, the standard contribution from the student's (and spouse's) income is zero.

"(2) If such effective family income is a positive amount, the standard contribution from student's (and spouse's) income is multiplied by 75 percent.

"(f) CONTRIBUTION FROM STUDENT'S (AND SPOUSE'S) ASSETS.—(1) The asset contribution amount of an independent student and the student's spouse is equal to 5 percent of the sum of the amounts computed under paragraphs (3) and (4), reduced by the amount, if any, by which effective family income as computed under subsection (c) is less than zero. If the result of such subtraction is a negative amount, the family asset contribution amount is zero.

"(2) The family asset contribution amount of a single independent student is equal to 33 percent of such student's net asset value, reduced by the amount, if any, by which effective family income as computed under subsection (c) is less than zero. If such value minus such amount is a negative amount, the family asset contribution amount is zero.

"(3) If the assets of an independent student with a spouse include a principal place of residence, deduct $30,000 from the net value of the principal place of residence. If the subtraction required by the preceding sentence of this paragraph produces a negative number, the amount determined under this paragraph shall be zero.

"(4)(A) If the assets of an independent student with a spouse include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(B)(i) If the assets of an independent student with a spouse include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(ii) If the sum of the farm and business deduction and the deductions in paragraphs (3) and (4)(A) exceeds $110,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $110,000, or $130,000, as the case may be.

"(5) The Secretary shall promulgate special regulations to permit, in the computation of family contributions for the programs under this subpart for any academic year, the exclusion from family income of any proceeds of a sale of farm or business assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"REGULATIONS; UPDATED TABLES

"Sec. 411E. (a) Authority To Prescribe Regulations Restricted.—(1) Notwithstanding any other provision of law, the Secretary shall not have the authority to prescribe regulations to carry out this subpart except—

"(A) to prescribe updated tables under sections 411B through 411D; or

"(B) to propose modifications in the need analysis methodology required by this subpart.

"(2) Any regulation proposed by the Secretary that (A) updates tables in a manner that does not comply with subsections (b), or (B) that proposes modifications under paragraph (1)(B) of this subsection, shall not be effective unless approved by joint resolution of the Congress by May 1 following the date such regulations are published in the Federal Register in accordance with section 482. If the Congress fails to approve such regulations by such May 1, the Secretary shall publish in the Federal Register in accordance with sec-

tion 482 updated tables for the applicable award year that are prescribed in accordance with subsection (b) of this section.

"(b) PROVISIONS GOVERNING UPDATED TABLES.—(1)(A) Each of the amounts allowed as an offset for family size for dependent and independent students shall, for each academic year after academic year 1988–1989, be adjusted by the Secretary by increasing (or decreasing) the comparable amount for the preceding academic year by a percentage equal to the percentage increase (or decrease) in the Consumer Price Index for Wage Earners and Clerical Workers published by the Department of Labor, and rounded to the nearest $100.

"(B) The Secretary shall publish in the Federal Register a revised table for an offset for family size in accordance with section 482.

"(2)(A) The Secretary shall, for each academic year after academic year 1988–1989, publish in the Federal Register such revisions in offsets against income, asset determination, and assessment rates as are necessary to reflect the most recent and relevant data.

"(B) The Secretary shall publish in the Federal Register the revised determinations required by subparagraph (A) in accordance with section 482.

"DEFINITIONS; DETERMINATIONS

"SEC. 411F. For the purpose of this subpart—

"(1) The term 'annual adjusted family income' means the sum received in the year immediately preceding the award year, by the student's parents (in the case of a dependent student), or by the student and, if applicable, the student's spouse (in the case of an independent student), except excludable income under paragraph (9) of this subsection, from the following sources subject to the following rules:

"(A) Adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1954.

"(B) Untaxed income and benefits, as defined in paragraph (13) of this section.

"(C) Income from one-half of any veteran's benefits expected to be paid to the student during the award period under chapters 34 and 35 of title 38 of the United States Code.

"(D) Income for a student whose parents are divorced or separated is determined under the following procedures:

"(i) Include only the income of the parent with whom the student resided for the greater portion of the 12-month period preceding the date of the application.

"(ii) If the preceding criterion does not apply, include only the income of the parent who provided the greater portion of the student's support for the 12-month period preceding the date of application.

"(iii) If neither of the preceding criteria apply, include only the income of the parent who provided the greater support during the most recent calendar year for which parental support was provided.

"(E) Income in the case of the death of any parent as follows:

"(i) *If either of the parents have died, the student shall include only the income of the surviving parent.*

"(ii) *If both parents have died, the student shall not report any parental income.*

"(F) *Income in the case of a parent whose income is taken into account under subparagraph (D) of this paragraph, or a parent who is a widow or widower and whose income is taken into account under clause (i) of this subparagraph, has remarried, under the following rule: The income of that parent's spouse shall be included in determining the student's annual adjusted family income if—*

"(i) *the student's parent and the stepparent are married as of the date of application for the award year concerned; and*

"(ii) *the student is not an independent student.*

"(G)(i) *Income in the case of a dislocated worker shall be the income for the year for which the determination is made.*

"(ii) *For the purpose of this subparagraph, a dislocated worker is a worker identified pursuant to title III of the Job Training Partnership Act.*

"(2) *The term 'assets' means cash on hand, including amount in checking and savings accounts, time deposits, money market funds, trusts, stocks, bonds, other securities, mutual funds, tax shelters, and the net value of real estate, income producing property, and business and farm assets.*

"(3) *The term 'award year' is the period of time between July 1 of the first year and June 30 of the following year.*

"(4) *The term 'business assets' means property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery, and other equipment, patents, franchise rights, and copyrights.*

"(5) *The term 'cost of attendance' means—*

"(A) *the student's tuition and uniform compulsory fees at the institution at which the student is in attendance for any award year, plus*

"(B)(i) *an allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student which shall not exceed $1,700 for a student without dependents residing at home with parents;*

"(ii) *an allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student which shall not exceed $2,500 for all other students, subject to clause (iii);*

"(iii) *an allowance for only books, supplies, and transportation (as determined by the institution) and dependent care expenses (in accordance with clause (iv)) for less than half time students (as determined by the institution);*

"(iv) *an allowance for child care which shall not exceed $1,000; and*

"(v) *an allowance for the costs of special services and equipment required for attendance by the handicapped that are not provided by other assisting agencies;*

except that, if the maximum award under this subpart is less than or greater than $2,300, then the dollar amounts specified in clauses (i) and (ii) of subparagraph (B) of this paragraph shall be increased or decreased by an amount equal to the amount by which such maximum award is greater than or less than $2,300, respectively.

"(6) Except as otherwise provided, the term 'dependent of the student' means the parents of the student, the student's spouse, any of the student's dependent children, dependent children of the student's parents, including those children who are deemed to be dependent student when applying for aid under this title, and other persons who live with and receive more than one-half of their support from the parents and will continue to receive more than half of their support from the parents during the award year.

"(7) Effective family income shall be determined on the basis of the annual adjusted family income minus the Federal taxes and imputed State and other taxes paid or payable for the year that adjusted gross income is used in the calculation of the student's Pell Grant.

"(8)(A) The employment expense offset is determined as follows:

"(i) If both parents were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such offset is equal to the lesser of $1,500 or 35 percent of the earned income (income earned by work) of the parent with the lesser earned income.

"(ii) If a parent qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, such offset is equal to the lesser of $1,500 or 35 percent of the parent's earned income.

"(B) The employment expense offset in the case of an independent student with dependents is determined as follows:

"(i) If both the student and the student's spouse were employed in the year for which their income is reported and both have their incomes reported in determined the expected family contribution, such offset is equal to the lesser of $1,500 or 35 percent of the earned income (income earned by work) of the spouse with the lesser earned income.

"(ii) If a student qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, such offset is equal to the lesser of $1,500 or 35 percent of the student's earned income.

"(9)(A) The term 'excludable income' means the income described in subparagraphs (B), (C), and (D) of this paragraph which is excluded for the purpose of determining 'annual adjusted family income' under paragraph (1).

"(B) For a Native American student, the annual adjusted family income does not include the income received by the student, the student's spouse, or the student's parents under the Distribution of Judgment Funds Act (25 U.S.C. 1401 et seq.), the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et

seq.), or the Maine Indians Claims Settlement Act (25 U.S.C. 1721, et seq.).

"(C) In the case of a student who is divorced or separated, or whose spouse has died, the spouse's income shall not be considered in determining the effective family income.

"(D) The annual adjusted family income does not include any student financial assistance except veterans' or Social Security benefits set forth in paragraph (3) of this subsection.

"(16)(A) In determining family size in the case of a dependent student—

"(i) if the parents are not divorced or separated, family members include the student's parents, and the dependents of the student's parents including the student;

"(ii) if the parents are divorced or separated, family members include the parent whose income is included in computing the effective family income and that parent's dependents, including the student; and

"(iii) if the parents are divorced and the parent whose income is so included is remarried, or if the parent was a widow or widower who has remarried, family members also include, in addition to those individuals referred to in subparagraph (B), the new spouse and any dependents of the new spouse if that spouse's income is included in determining effective family income.

"(B) In determining family size in the case of an independent student with dependents—

"(i) family members include the student, the student's spouse, and the student's dependents; and

"(ii) if the student is divorced or separated, family members do not include the spouse (or ex-spouse), but do include the student and the student's dependents.

"(17) The term 'farm assets' means any property owned and used in the operation of a farm for profit, including real estate, livestock, livestock products, crops, farm machinery, and other equipment inventories. A farm is not considered to be operated for profit if crops or livestock are raised mainly for the use of the family, even if some income is derived from incidental sales.

"(18)(A) The term 'independent', when used with respect to a student, means any individual who—

"(i) is 24 years of age or older by December 31 of the award year; or

"(ii) meets the requirements of subparagraph (B).

"(B) Except as provided in subparagraph (C), an individual meets the requirements of this subparagraph if such individual—

"(i) is an orphan or ward of the court;

"(ii) is a veteran of the Armed Forces of the United States;

"(iii) is a graduate or professional student who declares that he or she will not be claimed as a dependent for income tax purposes by his or parents (or guardian) for the first calendar year of the award year;

"(iv) is a married individual who declares that he or she will not be claimed as a dependent for income tax purposes

by his or her parents (or guardian) for the first calendar year of the award year;

"(v) has legal dependents other than a spouse;

"(vi) is a single undergraduate student with no dependents who was not claimed as a dependent by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the award year and demonstrates to the student financial aid administrator total self-sufficiency during the 2 calendar years preceding the award year in which the initial award will be granted by demonstrating an annual total income of $4,000; or

"(vii) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

"(C) An individual may not be treated as an independent student pursuant to clauses (iii), (iv), and (vi) of subparagraph (B) if the financial aid administrator determines that such individual was treated as an independent student during the preceding award year, but was claimed as a dependent by any other individual (other than a spouse) for income tax purposes for the first calendar year of such award year.

"(D) The financial aid administrator may certify an individual described in clause (iii), (iv), or (vi) of subparagraph (B) on the basis of a demonstration made by the individual, but no disbursal of an award may be made without documentation.

"(13) The term 'net assets' means the current market value at the time of application of the assets included in the definition of 'assets', minus the outstanding liabilities (indebtedness) against the assets.

"(14) The term 'unreimbursed elementary and secondary school tuition and fees' means the unreimbursed tuition and fees paid by the student's parents for each dependent other than the student, or by an independent student (and spouse) for dependents enrolled in elementary or secondary school, and may not exceed for each such dependent the national average per pupil instructional cost as published by the Center for Education Statistics using the most recent available data.

"(15) The term 'untaxed income and benefits' means—

"(A) investment income upon which no Federal income tax is required to be paid, such as the interest on municipal bonds;

"(B) untaxed portions of capital gains;

"(C) credits for Federal tax on special fuels;

"(D) dividend exclusions and dividend reinvestment exclusions;

"(E) foreign income exclusions;

"(F) child support received;

"(G) welfare benefits, including aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act, and aid to dependent children;

"(H) veterans benefits such as Death Pension and Dependency and Indemnity Compensation, except that veterans educational benefits paid under chapters 34 and 35 of *title 38 of the United States Code, Veterans' Administration contributory benefits, and Veterans' Administration vocational rehabilitation program benefits for postsecondary education shall not be included;*

"(I) untaxed Social Security benefits, including supplemental security income which individuals receive for themselves and for children under age 18;

"(J) interest on tax free bonds;

"(K) housing, food, and other living allowances, including rent subsidies for low-income housing, paid to members of the military, the clergy, and others; and

"(L) Job Training Partnership Act noneducational benefits.

"(5)(A) The term 'unusual medical and dental expenses' means an amount equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 20 percent of the effective family income of the parents. The expenses of both parents are included only if the income of both parents is included in determining effective family income. A stepparent's expenses are included only if the parent's income is included in determining effective family income.

"(B) The term 'unusual medical and dental expenses', in the case of an independent student with dependents, means an amount equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 20 percent of the effective family income of the independent student with dependents. The expenses of both the student and the student's spouse are included only if the incomes of both are included in determining effective family income.

"SUBPART 2—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

"PURPOSE; APPROPRIATIONS AUTHORIZED

"SEC. 413A. (a) PURPOSE OF SUBPART.—It is the purpose of this subpart to provide, through institutions of higher education, supplemental grants to assist in making available the benefits of postsecondary education to qualified students who demonstrate financial need in accordance with the provisions of part F of this title.

"(b) AUTHORIZATION OF APPROPRIATIONS.—(1) For the purpose of enabling the Secretary to make payments to institutions of higher education which have made agreements with the Secretary in accordance with section 413C(a), for use by such institutions for payments to undergraduate students of supplemental grants awarded to them under this subpart, there are authorized to be appropriated $[illegible] for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(2) Sums appropriated pursuant to this subsection for any fiscal year shall be available for payments to institutions until the end of the second fiscal year succeeding the fiscal year for which they were appropriated.

"AMOUNT AND DURATION OF GRANTS

"SEC. 413B. (a) AMOUNT OF GRANTS.—(1) From the funds received by it for such purpose under this subpart, an institution which awards a supplemental grant to a student for an academic year under this subpart shall, for such year, pay to that student an amount not to exceed the lesser of (A) the amount determined by the institution, in accordance with the provisions of part F of this title, to be needed by that student to enable the student to pursue a course of study at the institution, or (B) $2,000.

"(2) If the amount determined under paragraph (1) with respect to a student for any academic year is less than $100, no payment shall be made to that student for that year. For a student enrolled for less than a full academic year, the minimum payment required shall be reduced proportionately.

"(b) PERIOD FOR RECEIPT OF GRANTS; CONTINUING ELIGIBILITY.—(1) The period during which a student may receive supplemental grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student.

"(2) A supplemental grant awarded under this subpart shall entitle the student to whom it is awarded to payments pursuant to such grant only if the student meets the requirements of section 484, except as provided in section 413C(c).

"(c) DISTRIBUTION OF GRANT DURING ACADEMIC YEAR.—Nothing in this section shall be construed to prohibit an institution from making payments of varying amounts from a supplemental grant to a student during an academic year to cover costs for a period which are not applicable to other periods of such academic year.

"ELIGIBILITY FOR INSTITUTIONAL SELECTION OF RECIPIENTS

"SEC. 413C. (a) INSTITUTIONAL ELIGIBILITY.—Assistance may be made available under this subpart only to an institution which—

"(1) has, in accordance with section 487, an agreement with the Secretary applicable to this subpart;

"(2) agrees that the Federal share of awards under this subpart will not exceed—

"(A) [illegible] percent of such awards in fiscal year 1985,

"(B) 80 percent of such awards in fiscal year 1986, and

"(C) [illegible] percent of such awards in fiscal year 1987,

except that the Federal share may be exceeded if the Secretary determines, pursuant to regulations establishing objective criteria for such determinations, that a larger Federal share is required to further the purpose of this subpart; and

"(3) agrees that the non-Federal share of awards made under this subpart shall be made from the institution's own resources, including—

"(A) institutional grants and scholarships;

"(B) tuition or fee waivers;

"(C) State scholarships; and

"(D) foundation or other charitable organization funds.

"(b) ELIGIBILITY FOR SELECTION.—Awards may be made under this subpart only to a student who—

"(1) is an eligible student under section 484; and

"(2) For any eligible institution, the excess eligible amount is the amount, if any, by which—

"(A)(i) the amount of that institution's need (as determined under subsection (d)), divided by (ii) the sum of the need of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 413A(b) of the fiscal year; exceeds

"(B) the amount required to be allocated to that institution under subsection (a).

"(d) DETERMINATION OF INSTITUTION'S NEED.—(1) The amount of an institution's need is equal to—

"(A) the sum of the need of the institution's eligible undergraduate students; minus

"(B) the sum of grant aid received by students under subparts 1 and 2 of this part.

"(2) To determine the need of an institution's eligible undergraduate students, the Secretary shall—

"(A) establish various income categories for dependent and independent undergraduate students;

"(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

"(C) compute 75 percent of the average cost of attendance for all undergraduate students;

"(D) multiply the number of eligible dependent students in each income category by the lesser of—

"(i) 75 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) for that income category, except that the amount computed by such subtraction shall not be less than zero;

"(E) add the amounts determined under subparagraph (D) for each income category of dependent students;

"(F) multiply the number of eligible independent students in each income category by the lesser of—

"(i) 75 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) for that income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(G) add the amounts determined under subparagraph (F) for each income category of independent students; and

"(H) add the amounts determined under subparagraphs (E) and (G).

"(2)(A) For purposes of paragraph (1), the term 'average cost of attendance' means the average of the attendance costs for undergraduate students and for graduate and professional students, which shall include (i) tuition and fees determined in accordance with subparagraph (B), (ii) standard living expenses determined in accordance with subparagraph (C), and (iii) books and supplies determined in accordance with subparagraph (D).

"(B) The average undergraduate and graduate and professional tuition and fees described in subparagraph (A)(i) shall be computed on the basis of information reported by the institution to the Secretary, which shall include (i) total revenue received by the institution from undergraduate and graduate tuition and fees for the second year preceding the year for which it is applying for an allocation, and (ii) the institution's enrollment for such second preceding year.

"(C) The standard living expense described in subparagraph (A)(ii) is equal to three-fourths in the Pell Grant family size offset for a single independent student.

"(D) The allowance for books and supplies described in subparagraph (A)(iii) is equal to $450.

"(e) REALLOCATION OF EXCESS ALLOCATIONS.—If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year the Secretary shall, in accordance with regulations, reallocate such excess to other institutions.

"(f) FILING DEADLINES.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

"SUBPART 3—GRANTS TO STATES FOR STATE STUDENT INCENTIVES

"PURPOSE; APPROPRIATIONS AUTHORIZED

"SEC. 415A. (a) PURPOSE OF SUBPART.—It is the purpose of this subpart to make incentive grants available to the States to assist them in providing grants to eligible students attending institutions of higher education and grants to eligible students for campus-based community service work learning study.

"(b) AUTHORIZATION OF APPROPRIATIONS; AVAILABILITY.—(1) There are authorized to be appropriated $85,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(2) Sums appropriated pursuant to paragraph (1) for any fiscal year shall remain available for payments to States under this subpart until the end of the fiscal year succeeding the fiscal year for which such sums were appropriated.

"ALLOTMENT AMONG STATES

"SEC. 415B. (a) ALLOTMENT BASED ON NUMBER OF ELIGIBLE STUDENTS IN ATTENDANCE.—(1) From the sums appropriated pursuant to section 415A(b)(1) for any fiscal year, the Secretary shall allot to each State an amount which bears the same ratio to such sums as the number of students who are deemed eligible in such State for participation in the grant program authorized by this subpart bears

to the total number of such students in all the States, except that no State shall receive less than the State received for fiscal year 1979.

"(2) For the purpose of this subsection, the number of students who are deemed eligible in a State for participation in the grant program authorized by this subpart, and the number of such students in all the States, shall be determined for the most recent year for which satisfactory data are available.

"(b) REALLOTMENT.—The amount of any State's allotment under subsection (a) for any fiscal year which the Secretary determines will not be required for such fiscal year for the State student grant incentive program of that State shall be available for reallotment from time to time, on such dates during such year as the Secretary may fix, to other States in proportion to the original allotments to such States under such part for such year, but with such proportionate amount for any of such States being reduced to the extent it exceeds the sum the Secretary estimates such State needs and will be able to use for such year for carrying out the State plan. The total of such reductions shall be similarly reallotted among the States whose proportionate amounts were not so reduced. Any amount reallotted to a State under this part during a year from funds appropriated pursuant to section 415A(b)(1) shall be deemed part of its allotment under subsection (a) for such year.

"(c) ALLOTMENTS SUBJECT TO CONTINUING COMPLIANCE.—The Secretary shall make payments for continuing incentive grants only to States which continue to meet the requirements of section 415C(b).

"APPLICATIONS FOR STATE STUDENT INCENTIVE GRANT PROGRAMS

"SEC. 415C. (a) SUBMISSION AND CONTENTS OF APPLICATIONS.—A State which desires to obtain a payment under this subpart for any fiscal year shall submit annually an application therefor through the State agency administering its program under this subpart as of July 1, 1985, unless the Governor of that State so designates, in writing, a different agency to administer the program. The application shall contain such information as may be required by, or pursuant to, regulation for the purpose of enabling the Secretary to make the determinations required under this subpart.

"(b) PAYMENT OF FEDERAL SHARE OF GRANTS MADE BY QUALIFIED PROGRAMS.—From a State's allotment under this subpart for any fiscal year the Secretary is authorized to make payments to such State for paying up to 50 percent of the amount of student grants pursuant to a State program which—

"(1) is administered by a single State agency;

"(2) provides that such grants will be in amounts not in excess of $2,500 per academic year (A) for attendance on a full-time basis at an institution of higher education, and (B) for campus-based community service work learning study jobs;

"(3) provides that—

"(A) not more than 20 percent of the allotment to the State for such fiscal year may be used for the purpose described in paragraph (2)(B);

"(B) grants for the campus-based community work learning study jobs may be made only to students who are otherwise eligible for assistance under this subpart; and

"(C) grants for such jobs to be made in accordance with the provisions of section 443(b)(1);

"(4) provides for the selection of recipients of such grants or of such State work-study jobs on the basis of substantial financial need determined annually on the basis of criteria established by the State and approved by the Secretary;

"(5) provides that, effective with respect to any academic year beginning on or after October 1, 1979, all nonprofit institutions of higher education in the State are eligible to participate in the State program, except in any State in which participation of nonprofit institutions of higher education is in violation of the constitution of the State or in any State in which participation of nonprofit institutions of higher education is in violation of a statute of the State which was enacted prior to October 1, 1978;

"(6) provides for the payment of the non-Federal portion of such grants or of such work-study jobs from funds supplied by such State which represent an additional expenditure for such year by such State for grants or work-study jobs for students attending institutions of higher education over the amount expended by such State for such grants or work-study jobs, if any, during the second fiscal year preceding the fiscal year in which such State initially received funds under this subpart;

"(7) provides that, if the institution's allocation under this subpart is based in part on the financial need demonstrated by students attending the institution less than full time, a reasonable proportion of the institution's allocation shall be made available to such students;

"(8) provides for State expenditures under such program of an amount not less than the average annual aggregate expenditures for the preceding three fiscal years or the average annual expenditure per full-time equivalent student for such years;

"(9) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State agency under this subpart, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Secretary to perform his functions under this subpart; and

"(10) for any academic year beginning after June 30, 1987, provides the non-Federal share of the amount of student grants or work-study jobs under this subpart through a direct appropriation of State funds for the program under this subpart.

"(c) Reservation and Disbursement of Allotments and Reallotments.—Upon his approval of any application for a payment under this subpart, the Secretary shall reserve from the applicable allotment (including any applicable reallotment) available therefor, the amount of such payment, which (subject to the limits of such allotment or reallotment) shall be equal to the Federal share of the cost of the students' incentive grants or work-study jobs covered by such application. The Secretary shall pay such reserved amount, in advance or by way of reimbursement, and in such installments as the Secretary may determine. The Secretary may amend the reservation of any amount under this section, either upon approval of an amendment of the application or upon revision of the estimated cost

of the student grants or work-study jobs with respect to which such reservation was made. If the Secretary approves an upward revision of such estimated cost, the Secretary may reserve the Federal share of the added cost only from the applicable allotment (or reallotment) available at the time of such approval.

"ADMINISTRATION OF STATE PROGRAMS; JUDICIAL REVIEW

"SEC. 1137. (a) DISAPPROVAL OF APPLICATIONS; SUSPENSION OF ELIGIBILITY.—(1) The Secretary shall not finally disapprove any application for a State program submitted under section 1136, or any modification thereof, without first affording the State agency submitting the program reasonable notice and opportunity for a hearing.

"(2) Whenever the Secretary, after reasonable notice and opportunity for hearing to the State agency administering a State program approved under this subpart, finds—

"(A) that the State program has been so changed that it no longer complies with the provisions of this subpart, or

"(B) that in the administration of the program there is a failure to comply substantially with any such provisions,

the Secretary shall notify such State agency that the State will not be regarded as eligible to participate in the program under this subpart until he is satisfied that there is no longer any such failure to comply.

"(b) REVIEW OF DECISIONS.—(1) If any State is dissatisfied with the Secretary's final action with respect to the approval of its State program submitted under this subpart or with his final action under subsection (a), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Commissioner shall forthwith certify and file in the court the transcript of the proceedings and the record on which he based his action.

"(2) The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the transcript and record of further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) The court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254.

"DEFINITION

"SEC. 1138. For the purpose of this subpart, the term 'community service' means services, including direct service, planning, and applied research which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, and which—

"(1) are designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to the needs of such residents, including but not limited to, such fields as health care, child care, education, literacy training, welfare, social services, public safety, crime prevention and control, transportation, recreation, housing and neighborhood improvement, rural development, and community improvement; and

"(2) provide participating students with work-learning opportunities related to their educational or vocational programs or goals.

"Subpart 4—Special Programs for Students From Disadvantaged Backgrounds

"PROGRAM AUTHORITY; AUTHORIZATION OF APPROPRIATIONS

"Sec. 417A. (a) Grants and Contracts Authorized.—The Secretary shall, in accordance with the provisions of this subpart, carry out a program of making grants and contracts designed to identify qualified individuals from disadvantaged backgrounds, to prepare them for a program of postsecondary education, to provide support services for such students who are pursuing programs of postsecondary education, and to train individuals serving or preparing for service in programs and projects so designed.

"(b) Eligible Grant and Contract Recipients.—(1) For the purposes described in subsection (a), the Secretary is authorized, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), to make grants to, and contracts with, institutions of higher education, public and private agencies and organizations, and, in exceptional circumstances, secondary schools for planning, developing, or carrying out one or more of the services assisted under this subpart.

"(2) In making grants and contracts under this subpart, the Secretary shall consider the prior experience of service delivery under the particular program for which funds are sought by each applicant. For fiscal years after 1985, the level of consideration given to prior experience shall not vary from the level of consideration given this factor for fiscal year 1985.

"(c) Authorization of Appropriations.—For the purpose of making grants and contracts under this subpart, there are authorized to be appropriated $350,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(d) Definitions.—For the purpose of this subpart—

"(1) the term 'first generation college student' means—

"(A) an individual both of whose parents did not complete a baccalaureate degree; or

"(B) in the case of any individual who regularly resided with and received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree.

"(2) the term 'low-income individual' means an individual from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census; and

"(2) no veteran shall be deemed ineligible to participate in any program under this subpart by reason of such individual's age who—

"(A) served on active duty for a period of more than 180 days, any part of which occurred after January 31, 1955, and was discharged or released therefrom under conditions other than dishonorable; or

"(B) served on active duty after January 31, 1955, and was discharged or released therefrom because of a service connected disability.

"TALENT SEARCH

"SEC. 417B. (a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as talent search which shall be designed—

"(1) to identify qualified youths with potential for education at the postsecondary level and to encourage such youth to complete secondary school and to undertake a program of postsecondary education;

"(2) to publicize the availability of student financial assistance available to persons who pursue a program of postsecondary education; and

"(3) to encourage persons who have not completed programs of education at the secondary or postsecondary level, but who have the ability to complete such programs, to reenter such programs.

"(b) PERMISSIBLE SERVICES.—A talent search project assisted under this subpart may include, in addition to the services described in paragraphs (1), (2), and (3) of subsection (a), tutorial services for youths being encouraged to undertake or reenter programs of postsecondary education if such tutorial services are not otherwise available to such youths through a project assisted under this subpart.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for talent search projects under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the youths participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

"(2) require that such participants be persons who either have completed 6 years of elementary education or are at least 12 years of age but not more than 27 years of age, unless the imposition of any such limitation with respect to any person would defeat the purposes of this section or the purposes of section 417B;

"(3) require an assurance that individuals participating in the project proposed in the application do not have access to services from another project funded under this section or under section 417C; and

"(4) require assurances that the project will be located in a setting accessible to the persons proposed to be served by the project.

"UPWARD BOUND

"SEC. 417C. (a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as upward bound which shall be designed to generate skills and motivation necessary for success in education beyond high school.

"(b) PERMISSIBLE SERVICES.—Any upward bound project assisted under this subpart may provide services such as—

"(1) instruction in reading, writing, study skills, mathematics, and other subjects necessary for success beyond high school;

"(2) personal counseling;

"(3) academic advice and assistance in high school course selection;

"(4) tutorial services;

"(5) exposure to cultural events, academic programs, and other activities not usually available to disadvantaged youth;

"(6) activities designed to acquaint youths participating in the project with the range of career options available to them;

"(7) instruction designed to prepare youths participating in the project for careers in which persons from disadvantaged backgrounds are particularly underrepresented;

"(8) on-campus residential programs; and

"(9) programs and activities as described in paragraphs (1) through (7) which are specially designed for students of limited English proficiency.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for upward bound projects under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the youths participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

"(2) require an assurance that the remaining youths participating in the project proposed to be carried out under any application be either low-income individuals or be first generation college students;

"(3) require that there be a determination by the institution, with respect to each participant in such project, that the participant has a need for academic support in order to pursue successfully a program of education beyond high school; and

"(4) require that such participants be persons who have completed 8 years of elementary education and are at least 13 years of age but not more than 19 years of age, unless the imposition of any such limitation would defeat the purposes of this section.

"(d) MAXIMUM STIPENDS.—Youths participating in a project proposed to be carried out under any application may be paid stipends not in excess of $60 per month during June, July, and August, and not in excess of $40 per month during the remaining period of the year.

"STUDENT SUPPORT SERVICES

"SEC. 417D. (a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as student support services (hereinafter referred to as 'student support services').

"(b) PERMISSIBLE SERVICES.—A support services project assisted under this subpart may provide services such as—

"(1) instruction in reading, writing, study skills, mathematics, and other subjects necessary for success beyond high school;

"(2) personal counseling;

"(3) academic advice and assistance in course selection;

"(4) tutorial services and counseling and peer counseling;

"(5) exposure to cultural events and academic programs not usually available to disadvantaged students;

"(6) activities designed to acquaint students participating in the project with the range of career options available to them;

"(7) activities designed to assist students participating in the project in securing admission and financial assistance for enrollment in graduate and professional programs;

"(8) activities designed to assist students currently enrolled in 2-year institutions in securing admission and financial assistance for enrollment in a four-year program of postsecondary education; and

"(9) programs and activities as described in paragraphs (1) through (8) which are specially designed for students of limited English proficiency.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for support services projects under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the persons participating in the project proposed to be carried out under any application—

"(A) be physically handicapped; or

"(B) be low-income individuals who are first generation college students;

"(2) require an assurance that the remaining students participating in the project proposed to be carried out under any application either be low-income individuals, first generation college students, or physically handicapped;

"(3) require that there be a determination by the institution, with respect to each participant in such project, that the participant has a need for academic support in order to pursue successfully a program of education beyond high school;

"(4) require that each participant be enrolled or accepted for enrollment at the institution which is the recipient of the grant or contract; and

"(5) require an assurance from the institution which is the recipient of the grant or contract that each student enrolled in the project will receive sufficient financial assistance to meet that student's full financial need.

"(d) POST-BACCALAUREATE ACHIEVEMENT PROGRAM AUTHORITY.—(1) The Secretary shall carry out a program to be known as the 'Post-Baccalaureate Achievement Program'.

"(2) A post-baccalaureate achievement project assisted under this subsection may provide services such as—

"(A) opportunities for research or other scholarly activities at the institution or at graduate centers designed to provide students with effective preparation for doctoral study;

"(B) summer internships;

"(C) seminars and other educational activities designed to prepare students for doctoral study;

"(D) tutoring;

"(E) academic counseling; and

"(F) activities designed to assist students participating in the project in securing admission to and financial assistance for enrollment in graduate programs.

"(c) In approving applications for post-baccalaureate achievement projects assisted under this subsection for any fiscal year, the Secretary shall require—

"(1) an assurance that not less than two-thirds of the individuals participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

"(2) an assurance that the remaining persons participating in the project proposed to be carried out be from a group that is underrepresented in graduate education;

"(3) an assurance that participants be enrolled in a degree program at an eligible institution in accordance with the provisions of section [illegible]; and

"(4) an assurance that participants in summer research internships have completed their sophomore year in postsecondary education.

"(d) In addition to such other selection criteria as may be provided by regulations, the Secretary shall consider in making awards to institutions under this subsection—

"(1) the quality of research and other scholarly activities in which students will be involved;

"(2) the level of faculty involvement in the project and the description of the research in which students will be involved; and

"(3) the institution's plan for identifying and recruiting participants including students enrolled in projects authorized under this subsection.

"(e) Students participating in research under a post-baccalaureate achievement project may receive stipends not to exceed [illegible] per annum.

"(f) No funds shall be allocated to projects authorized under this subsection until projects authorized by the other provisions of this subpart are allocated a minimum of [illegible] and in no case shall funds allocated to projects authorized under this subsection exceed—

"(1) [illegible] in fiscal year [illegible];

"(2) [illegible] in fiscal year [illegible];

"(3) [illegible] in fiscal year [illegible]; and

"(4) [illegible] in fiscal year [illegible].

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istrative expenses, including the conduct of the awards ceremony required by section 419I.

"ELIGIBILITY OF SCHOLARS

"SEC. 419F. (a) HIGH SCHOOL GRADUATION OR EQUIVALENT AND ADMISSION TO INSTITUTION REQUIRED.—Each student awarded a scholarship under this subpart shall be a graduate of a public or private secondary school or have the equivalent of a certificate of graduation as recognized by the State in which the student resides and must have been admitted for enrollment at an institution of higher education.

"(b) SELECTION BASED ON PROMISE OF ACADEMIC ACHIEVEMENT.—Each student awarded a scholarship under this subpart must demonstrate outstanding academic achievement and show promise of continued academic achievement.

"SELECTION OF SCHOLARS

"SEC. 419G. (a) ESTABLISHMENT OF CRITERIA.—The State educational agency is authorized to establish the criteria for the selection of scholars under this subpart.

"(b) ADOPTION OF PROCEDURES.—The State educational agency shall adopt selection procedures which are designed to assure that 10 individuals will be selected from among residents of each congressional district in a State (and in the case of the District of Columbia and the Commonwealth of Puerto Rico not to exceed ten individuals will be selected in each district or Commonwealth).

"(c) CONSULTATION REQUIREMENT.—In carrying out its responsibilities under subsections (a) and (b), the State educational agency shall consult with school administrators, school boards, teachers, counselors, and parents.

"STIPENDS AND SCHOLARSHIP CONDITIONS

"SEC. 419H. (a) AMOUNT OF AWARD.—Each student awarded a scholarship under this subpart shall receive a stipend of $1,500 for the academic year of study for which the scholarship is awarded.

"(b) USE OF AWARD.—The State educational agency shall establish procedures to assure that a scholar awarded a scholarship under this subpart pursues a course of study at an institution of higher education.

"AWARDS CEREMONY

"SEC. 419I. (a) LOCAL CEREMONY.—The State educational agency shall make arrangements to award scholarships under this subpart at a place in each State which is convenient to the individuals selected to receive such scholarships. To the extent possible, the award shall be made by Members of the Senate and Members of the House of Representatives (to the Delegate in the case of the District of Columbia and the Resident Commissioner in the case of the Commonwealth of Puerto Rico) who represent the State, Commonwealth, or District, as the case may be, from which the individuals come.

"(b) TIMING OF SELECTION.—The selection process shall be completed, and the awards made prior to the end of each secondary academic year.

"CONSTRUCTION OF NEEDS PROVISIONS

"SEC. 415J. *Nothing in this subpart, or any other Act, shall be construed to permit the receipt of a scholarship under this subpart to be counted for any needs test in connection with the awarding of any grant or the making of any loan under this Act or any other provision of Federal law relating to educational assistance.*

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 415K. *There are authorized to be appropriated for this subpart $5,000,000 for fiscal year 1972, and such sums as may be necessary for the 2 succeeding fiscal years.*

"SUBPART 7—ASSISTANCE TO INSTITUTIONS OF HIGHER EDUCATION

"PAYMENTS TO INSTITUTIONS OF HIGHER EDUCATION

"SEC. 419. *(a) COST OF EDUCATION PAYMENTS.—Each institution of higher education shall be entitled for each fiscal year to a cost-of-education payment in accordance with the provisions of this section.*

"(b) COMPUTATION OF AMOUNT.—*(1) The amount of the cost-of-education payment to which an institution shall be entitled under this section for a fiscal year shall be, subject to subsection (d), the amount determined under paragraph (2)(A) plus the amount determined under paragraph (2)(B).*

"(2)(A)(i) *The Secretary shall determine the amount to which an institution is entitled under this subparagraph on the basis of the total number of undergraduate students who are in attendance at the institution and the number of students who are also recipients of basic grants under subpart 1, in accordance with the following table:*

"If the total number of students in attendance is—	The amount of the grant is—
Not over 1,000	$500 for each recipient.
Over 1,000 but not over 2,500	$500 for each of 100 recipients, plus $400 for each recipient in excess of 100.
Over 2,500 but not over 5,000	$500 for each of 100 recipients, plus $400 for each of 150 recipients in excess of 100 plus $300 for each recipient in excess of 250.
Over 5,000 but not over 10,000	$500 for each 100 recipients plus $400 for each of 150 recipients in excess of 100 plus $300 for each of 250 recipients in excess of 250 plus $200 for each recipient in excess of 500.
Over 10,000	$500 for each of the 100 recipients plus $400 for each of 150 recipients in excess of 100 plus $300 for each of 250 recipients in excess of 250 plus $200 for each of 500 recipients in excess of 500 plus $100 for each recipient in excess of 1,000.

"(ii) *In any case where a recipient of a basic grant under subpart 1 attends an institution receiving a cost-of-education payment under this subpart on less than a full-time basis, the amount determined under this subparagraph with respect to the student shall be reduced in proportion to the degree to which that student is not attending on a full-time basis.*

"(iii) If during any period of any fiscal year the funds available for making payments on the basis of entitlements established under this subparagraph are insufficient to satisfy fully all such entitlements, the amount paid with respect to each such entitlement shall be ratably reduced. When additional funds become available for such purpose, the amount of payment from such additional funds shall be in proportion to the degree to which each such entitlement is unsatisfied by the payments made under the first sentence of this division.

"(B)(i) The Secretary shall determine with respect to each institution an amount equal to the appropriate percent specified on the table below of the aggregate of—

"(I) supplemental educational opportunity grants under subpart 2,

"(II) work-study payments under part C, and

"(III) loans to students under part E,

made for such year to students who are in attendance at such institutions. The Secretary shall determine such amounts on the basis of percentages of such aggregate, and the number of students in attendance at institutions during the most recent academic year ending prior to such fiscal year, in accordance with the following table:

"If the number of students in attendance at institutions is—	*The percentage of such aggregate shall be—*
Not over 1,000	[illegible] *percent*
Over 1,000 but not over 3,000	[illegible] *percent*
Over 3,000 but not over 10,000	[illegible] *percent*
Over 10,000	[illegible] *percent*

"(ii) If during any period of any fiscal year the funds available for making payments on the basis of entitlements established under this subparagraph are insufficient to satisfy fully all such entitlements, the amount paid with respect to each such entitlement shall be ratably reduced. When additional funds become available for such purpose, the amount of payment from such additional funds shall be in proportion to the degree to which each such entitlement is unsatisfied by the payments made under the first sentence of this division.

"(C)(i) In determining the number of students in attendance at institutions of higher education under this subsection, the Secretary shall compute the full-time equivalent of part-time students.

"(ii) The Secretary shall make a separate determination of the number of students in attendance at an institution of higher education and the number of recipients of basic grants at any such institution at each branch or separate campus of that institution located in a different community from the principal campus of that institution pursuant to criteria established by him.

"(c) APPLICATIONS; CONTENTS AND MANNER OF FILING.—An institution of higher education may receive a cost-of-education payment in accordance with this section only upon application therefor. An application under this section shall be submitted at such time or times, in such manner, and containing such information as the Secretary determines necessary to carry out his functions under this title, and shall—

"(1) set forth such policies, assurances, and procedures as will ensure that—

"(A) the funds received by the institution under this section will be used solely to defray instructional expenses in academically related programs of the applicant;

"(B) the funds received by the institution under this section will not be used for a school or department of divinity or for any religious worship or sectarian activity;

"(C) the applicant will expend, during the academic year for which a payment is sought, for all academically related programs of the institution, an amount equal to at least the average amount so expended during the 3 years preceding the year for which the grant is sought; and

"(D) the applicant will submit to the Secretary such reports as the Secretary may require by regulation; and

"(3) contain such other statements of policies, assurances, and procedures as the Secretary may require by regulation in order to protect the financial interests of the United States.

"(d) Apportionment of Appropriations.—(1) The Secretary shall pay to each institution of higher education for each fiscal year the amount to which it is entitled under this section.

"(2) Of the total sums appropriated to make payments on the basis of entitlements established under this section and to make payments under part D of title IX—

"(A) 45 percent shall be available for making payments on the basis of entitlements established under paragraph (1)(A) of subsection (a);

"(B) 45 percent shall be available for making payments on the basis of entitlements established under paragraph (1)(B) of subsection (a); and

"(C) 10 percent shall be available for making payments under part D of title IX.

"(3) No payments on the basis of entitlements established under paragraph (1)(A) of subsection (a) may be made during any fiscal year for which the appropriations for making grants under subpart 1 does not equal at least 50 percent of the appropriations necessary for satisfying the total of all entitlements established under such subpart. In no event shall, during any fiscal year, the aggregate of the payments to which this paragraph applies exceed that percentage of the total entitlements established under such paragraph (1)(A) which equals the percentage of the total entitlements established under subpart 1 which are satisfied by appropriations for such purpose for that fiscal year.

"(e) Limitation on Appropriations.—No funds are authorized to be appropriated for this subpart for fiscal year 1987.

"VETERANS' EDUCATION OUTREACH PROGRAM

"Sec. 420A. (a) Authorization of Appropriations.—There are authorized to be appropriated to carry out the provisions of this section $3,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(b) Amount and Duration of Awards.—(1) The maximum grant that may be awarded to an institution under this section is $7,500, which may remain available for expenditure over a period not to exceed 2 academic years.

"(2) The amount of the payment to which any institution shall be entitled under this section for any fiscal year shall be—

"(A) [illegible] for each person who is a veteran receiving vocational rehabilitation under chapter 31 of title 38, United States Code, or a veteran receiving educational assistance under chapter 34 of such title 38, and who is in attendance at such institution as an undergraduate student during such year;

"(B) [illegible] for each person who is in attendance at such institution as an undergraduate student during such year and who has been the recipient of educational assistance under subchapter V or VI of chapter 34 of such title 38, or who has a service-connected disability as defined in section 101(16) of such title 38, or who is disabled, as determined in accordance with regulations promulgated by the Secretary after consultation with the Administrator of Veterans' Affairs; and

"(C) [illegible] for each person who is in attendance at such institution as an undergraduate student during such year and who has received an honorable discharge from military service but who is no longer eligible to or does not receive educational benefits under chapter 31 or chapter 34 of title 38 of the United States Code.

"(3) In any case where a person on behalf of whom a payment is made under this section attends an institution on less than a full-time basis, the amount of the payment on behalf of that person shall be reduced in proportion to the degree to which that person is not attending on a full-time basis.

"(c)(1) The Secretary shall pay to each institution of higher education which has had an application approved under subsection (a) the amount to which it is entitled under this section. If the amounts appropriated for any fiscal year is not sufficient to pay the amounts to which all such institutions are entitled, the Secretary shall ratably reduce such payments. If any amounts become available for a fiscal year after such reductions have been imposed, such reduced payments shall be increased on the same basis as they were reduced.

"(2) The maximum amount of payments to any institution of higher education, or any branch thereof which is located in a community which is different from that in which the parent institution thereof is located, in any fiscal year shall be [illegible]. In making payments under this section for any fiscal year, the Secretary shall apportion the appropriation for making such payments, from funds which become available as a result of the limitation on payments set forth in the preceding sentence, in such a manner as will result in the amount for each institution which is eligible for payment under this section of the first [illegible] or the amount of its entitlement for that fiscal year, but not less than [illegible], whichever is the lesser, and then additional amounts up to the limitation set forth in the preceding sentence.

"(3) Not less than 80 percent of the amounts paid to any institution under paragraph (1) in any fiscal year shall be used to implement the requirements of subsection [illegible], and to the extent that such funds remain after implementing such requirements, funds (similar to such 80 percent requirement) shall be used for implementing the requirements of clauses [illegible] through [illegible] of subsection [illegible], except that the Secretary may, in accordance with criteria estab-

forth in regulations jointly prescribed by the Secretary with the Administrator, waive the requirement of this subsection to the extent that he finds that such institution is adequately carrying out all such requirements without the necessity for such application of such amount of the payments received under this subsection.

"(c) *Eligibility for Payments.*—(1) *During the period beginning July 1, 1987, and ending September 1, 1991, each institution of higher education shall be entitled to a payment under, and in accordance with, this section during any fiscal year if the number of persons who are veterans with honorable discharges and are in attendance as undergraduate students at the institution is at least 100.*

"(2) *An institution of higher education shall be eligible to receive the payment to which it is entitled under this section only if it makes application therefor to the Secretary. An application under this section shall be submitted at such time or times, in such manner, in such form and containing such information as the Secretary determines necessary to carry out the functions of the Secretary under this title, and shall—*

"(A) *set forth such policies, assurances, and procedures as will ensure that—*

"(i) *the funds received by the institution under this section and available to it after the requirements of subsection (b) have been met will be used solely to defray instructional expenses in academically related programs of the applicant;*

"(ii) *the funds received by the institution under this section will not be used for a school or department of divinity or for any religious worship or sectarian activity;*

"(iii) *the applicant will expend, during the academic year for which a payment is sought, for all academically related programs of the institution, an amount equal to at least the average amount so expended during the 3 years preceding the year for which the grant is sought;*

"(iv) *the applicant will expend, during the academic year for which a payment is sought, for performing the functions of the Veterans Education Outreach Program, an amount equal to at least the amount of the award under this section from sources other than this or any other Federal program; and*

"(v) *the applicant will submit to the Secretary such reports as the Secretary may require by regulation;*

"(B) *contain such other statements of policies, assurances, and procedures as the Secretary may require by regulation in order to protect the financial interests of the United States; and*

"(C) *set forth such plans, policies, assurances, and procedures as will ensure that the applicant will make an adequate effort—*

"(i) *to maintain an office of veterans' affairs which has responsibility for veterans' outreach, recruitment, and special educational programs, including the provision of educational, vocational, and personal counseling for veterans;*

"(ii) *to carry out programs designed to prepare educationally disadvantaged veterans for postsecondary education under subchapter V of chapter 34 of title 38, United States Code*

Code; and (iii) in the case of any institution located near a military installation, under subchapter VI of such chapter 34;

"(ii) to carry out active outreach (with special emphasis on service-connected disabled veterans, other disabled or handicapped veterans, incarcerated veterans, and educationally disadvantaged veterans), recruiting, and counseling activities through the use of funds available under federally assisted work-study programs (with special emphasis on the veteran-student services program under section 1685 of such title 38);

"(iii) to carry out an active tutorial assistance program for veterans (including dissemination of information regarding such program), with special emphasis on making maximum use of the benefits available under section 1692 of such title 38; and

"(iv) to coordinate activities carried out under this part with the readjustment counseling program authorized under section 612A of title 38, United States Code, and with the programs of veterans employment and training authorized under the Job Training Partnership Act and under chapters 41 and 42 of title 38, United States Code, in order to assist in serving the readjustment, rehabilitation, personal counseling, and employment needs of veterans;

except that an institution which the Secretary determines, in accordance with regulations jointly prescribed by the Secretary and the Administrator of Veterans' Affairs (hereinafter referred to as the "Administrator") cannot feasibly, in terms of the number of veterans in attendance there, carry out any or all of the programs set forth in clauses (i) through (iv) of subparagraph (A) may carry out such program or programs through a consortium agreement with one or more other institutions of higher education and shall be required to carry out such programs only to the extent that the Secretary determines, in accordance with regulations jointly prescribed by the Secretary and the Administrator, is appropriate in terms of the number of veterans in attendance at such institution. The adequacy of efforts to meet the requirements of subparagraph (A) of this paragraph shall be determined by the Secretary, based upon the recommendations of the Administrator, in accordance with criteria established in regulations jointly prescribed by the Secretary and the Administrator.

"(3) The Secretary shall not approve an application under this subsection unless he determines that the applicant will implement the requirements of subparagraph (A) of paragraph (2) within the first academic year during which it receives a payment under this section.

"(4) Any institution which has been eligible under this section prior to December 30, 1982, for a consecutive period of three of the last five years shall be determined eligible under the terms of this section.

"(d) Coordination of Programs.—The Secretary, in carrying out the provisions of this section, shall seek to assure the coordination of programs assisted under this section with programs carried out by the Veterans' Administration pursuant to title 38, United States

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SUBPART 5—SPECIAL CHILD CARE SERVICES FOR DISADVANTAGED COLLEGE STUDENTS

SPECIAL CHILD CARE SERVICES FOR DISADVANTAGED COLLEGE STUDENTS

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(or under any private nonprofit loan insurance program which has received an advance under section 422) for the benefit of students in such State);

"(2) for insurance of all the loans made to student borrowers by a lender who satisfies the Secretary that, by reason of the residence of such borrowers, such lender will not have access to any single State or nonprofit private loan insurance program which will insure substantially all of the loans such lender intends to make to such student borrowers; or

"(3) under such circumstances as may be approved by the guaranty agency in such State, for the insurance of a loan to a borrower for whom such lender previously was issued such a certificate if the loan covered by such certificate is not yet repaid.

"SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM

"SEC. 424. (a) LIMITATIONS ON AMOUNTS OF LOANS COVERED BY FEDERAL INSURANCE.—The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 435) to students covered by Federal loan insurance under this part shall not exceed $2,000,000,000 for the period from July 1, 1976, to September 30, 1976, and for each of the succeeding fiscal years ending prior to October 1, 1992. Thereafter, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to enable students, who have obtained prior loans insured under this part, to continue or complete their educational program; but no insurance may be granted for any loan made or installment paid after September 30, 1997.

"(b) APPORTIONMENT OF AMOUNTS.—The Secretary may, if he or she finds it necessary to do so in order to assure an equitable distribution of the benefits of this part, assign, within the maximum amounts specified in subsection (a), Federal loan insurance quotas applicable to eligible lenders, or to States or areas, and may from time to time reassign unused portions of these quotas.

"LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE

"SEC. 425. (a) ANNUAL AND AGGREGATE LIMITS.—

"(1) ANNUAL LIMITS.—(A) The total of loans made to a student in any academic year or its equivalent (as determined by the Secretary) which may be covered by Federal loan insurance under this part may not exceed—

"(i) $2,625, in the case of a student who has not successfully completed the first and second year of a program of undergraduate education;

"(ii) $4,000, in the case of a student who has successfully completed such first and second year but who has not successfully completed the remainder of a program of undergraduate education; or

"(iii) $7,500, in the case of a graduate or professional student (as defined in regulations of the Secretary).

"(B) The annual insurable limits contained in subparagraph (A) shall not apply in cases where the Secretary determines, pursuant to regulations, that a higher amount is warranted in order to carry out the purpose of this part with respect to students engaged in specialized training requiring exceptionally high costs of education. The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any year in excess of the annual limit.

"(2) AGGREGATE LIMITS.—(A) The aggregate insured unpaid principal amount for all such insured loans made to any student shall not at any time exceed—

"(i) $17,250 in the case of any student who has not successfully completed a program of undergraduate education; and

"(ii) $54,750, in the case of any graduate or professional student (as defined by regulations of the Secretary and including any loans which are insured by the Secretary under this part, or by a guaranty agency, made to such person before he or she became a graduate or professional student).

"(B) The Secretary may increase the aggregate insurable limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive.

"(b) LEVEL OF INSURANCE COVERAGE BASED ON DEFAULT RATE.—

"(1) REDUCTION FOR DEFAULTS IN EXCESS OF 5 OR 9 PERCENT.—(A) Except as provided in subparagraph (B), the insurance liability on any loan insured by the Secretary under this part shall be 100 percent of the unpaid balance of the principal amount of the loan plus interest, except that—

"(i) if, for any fiscal year, the total amount of payments under section 430 by the Secretary to any eligible lender as described in section 435(d)(1)(D) exceeds 5 percent of the sum of the loans made by such lender which are insured by the Secretary and which were in repayment at the end of the preceding fiscal year, the insurance liability under this subsection for that portion of such excess which represents loans insured after the applicable date with respect to such loans, as determined under subparagraph (C), shall be equal to 90 percent of the amount of such portion; or

"(ii) if, for any fiscal year, the total amount of such payments to such a lender exceeds 9 percent of such sum, the insurance liability under this subsection for that portion of such excess which represents loans insured after the applicable date with respect to such loans, as determined under subparagraph (C), shall be equal to 80 percent of the amount of such portion.

"(B) Notwithstanding subparagraph (A), the provisions of clauses (i) and (ii) of such subparagraph shall not apply to an eligible lender as described in section 435(d)(1)(D) for the fiscal year in which such lender begins to carry on a loan program insured by the Secretary, or for any of the 4 succeeding fiscal years.

"(C) The applicable date with respect to a loan made by an eligible lender as described in section 435(d)(1)(D) shall be—

"(ii) the 90th day after the adjournment of the next regular session of the appropriate State legislature which convenes after the date of enactment of the Education Amendments of 1976, or

"(iii) if the primary source of lending capital for such lender is derived from the sale of bonds, and the constitution of the appropriate State prohibits a pledge of such State's credit as security against such bonds, the day which is one year after such 90th day.

"(2) COMPUTATION OF AMOUNTS IN REPAYMENT.—For the purpose of this subsection, the sum of the loans made by a lender which are insured by the Secretary and which are in repayment shall be the original principal amount of loans made by such lender which are insured by the Secretary reduced by—

"(A) the amount the Secretary has been required to pay to discharge his or her insurance obligations under this part;

"(B) the original principal amount of loans insured by the Secretary which have been fully repaid;

"(C) the original principal amount insured on those loans for which payment of first installment of principal has not become due pursuant to section 427(a)(2)(B) or such first installment need not be paid pursuant to section 427(a)(2)(C); and

"(D) the original principal amount of loans repaid by the Secretary under section 437.

"(3) PAYMENTS TO ASSIGNEES.—For the purpose of this subsection, payments by the Secretary under section 430 to an assignee of the lender with respect to a loan shall be deemed payments made to such lender.

"(4) PLEDGE OF FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the provisions of section 430 or 437 of this part.

"SOURCES OF FUNDS

"SEC. 426. Loans made by eligible lenders in accordance with this part shall be insurable by the Secretary whether made from funds fully owned by the lender or from funds held by the lender in a trust or similar capacity and available for such loans.

"ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED STUDENT LOANS

"SEC. 427. (a) LIST OF REQUIREMENTS.—Except as provided in section 428C, a loan by an eligible lender shall be insurable by the Secretary under the provisions of this part only if—

"(1) made to a student who (A) is an eligible student under section 484, (B) has agreed to notify promptly the holder of the loan concerning any change of address, and (C) is carrying at least one-half the normal full-time academic workload for the course of study the student is pursuing (as determined by the institution); and

"(2) evidenced by a note or other written agreement which—

"(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by the borrower would not, under the applicable law, create a binding obligation, endorsement may be required;

"(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in installments over a period of not less than 5 years (unless sooner repaid or unless the student, during the 6 months preceding the start of the repayment period, specifically requests that repayment be made over a shorter period) nor more than 10 years beginning 6 months after the month in which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except—

"(i) as provided in subparagraph (C);

"(ii) that the note or other written instrument may contain such reasonable provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default by the borrower, as may be authorized by regulations of the Secretary in effect at the time the loan is made; and

"(iii) that the lender and the student, after the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, may agree to a repayment schedule which begins earlier, or is of shorter duration, than required by this subparagraph, but in the event a borrower has requested and obtained a repayment period of less than 5 years, the borrower may at any time prior to the total repayment of the loan, have the repayment period extended so that the total repayment period is not less than 5 years;

"(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period—

"(i) during which the borrower (I) is pursuing a full-time course of study at an eligible institution, (II) is pursuing at least a half-time course of study (as determined by such institution) during an enrollment period for which the student has obtained a loan under this part, or (III) is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for disabled individuals approved by the Secretary;

"(ii) not in excess of 3 years during which the borrower is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

"(iii) not in excess of 3 years during which the borrower is in service as a volunteer under the Peace Corps Act;

"(iv) not in excess of 3 years during which the borrower is in service as a full-time volunteer under the Domestic Volunteer Service Act of 1973;

"(v) not in excess of 3 years during which the borrower is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

"(vi) not in excess of 3 years during which the borrower is engaged as a full-time teacher in a public or private elementary or secondary school in a teacher shortage area established by the Secretary pursuant to section 428(b)(4);

"(vii) not in excess of 2 years during which the borrower is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service;

"(viii) not in excess of 3 years during which the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a dependent who is so disabled;

"(ix) not in excess of 24 months, at the request of the borrower, during which the borrower is seeking and unable to find full-time employment;

"(x) not in excess of 6 months of parental leave; or

"(xi) not in excess of 12 months for mothers with preschool age children who are just entering or reentering the work force and who are compensated at a rate not exceeding $1 in excess of the rate prescribed under section 6 of the Fair Labor Standards Act of 1938,

and that any such period shall not be included in determining the 10-year period provided in subparagraph (B);

"(D) provides for interest on the unpaid principal balance of the loan at a yearly rate, not exceeding the applicable maximum rate prescribed in section 427A, which interest shall be payable in installments over the period of the loan except that, if provided in the note or other written agreement, any interest payable by the student may be deferred until not later than the date upon which repayment of the first installment of principal falls due, in which case interest accrued during that period may be added on that date to the principal;

"(E) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Secretary under this part, and that the lender will enter into such agreements with the Secretary as may be necessary for the purpose of section 437;

"(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan;

"(G)(i) contains a notice of the system, of disclosure of information concerning such loan to credit bureau organizations under section 430A, and

(ii) provides that the lender on request of the borrower will provide information on the repayment status of the note to such organizations; and

"(H) contains such other terms and conditions, consistent with the provisions of this part and with the regulations issued by the Secretary pursuant to this part, as may be agreed upon by the parties to such loan, including, if agreed upon, a provision requiring the borrower to pay the lender, in addition to principal and interest, amounts equal to the insurance premiums payable by the lender to the Secretary with respect to such loan;

"(3) the funds borrowed by a student are disbursed to the institution by check or other means that is payable to and requires the endorsement or other certification by such student, except nothing in this title shall be interpreted to allow the Secretary to require checks to be made co-payable to the institution and the borrower or to prohibit the disbursement of loan proceeds by means other than by check; and

"(4) in the case of any loan made for any period of enrollment that ends more than 180 days (or 6 months) after the date disbursement is scheduled to occur, and for an amount of more than $1,000, the proceeds of the loan will, subject to subsection (b), be disbursed directly by the lender in two or more installments, none of which exceeds one-half of the loan, with the interval between the first and second installment being disbursed after not less than one-third of such period (except as necessary to permit the second installment to be disbursed at the beginning of the second semester, quarter, or similar division of such period of enrollment).

"(b) SPECIAL RULES FOR MULTIPLE DISBURSEMENT.—For the purpose of subsection (a)(4)—

"(1) all loans issued for the same period of enrollment shall be considered as a single loan; and

"(2) the requirements of such subsection shall not apply in the case of a loan made under section 428A, 428B, or 428C, or made to a student to cover the cost of attendance at an eligible institution outside the United States.

"(c) MINIMUM REPAYMENT RATE.—The total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not, unless the borrower and the lender otherwise agree, be less than $600 or the balance of all such loans (together with interest thereon), whichever amount is less, except that in the case of a husband and wife, both of whom have such loans outstanding, the total of the combined payments for such a couple during any year shall not be less than $600 or the balance of all such loans, whichever is less.

"APPLICABLE INTEREST RATES

"SEC. 427A. (a) RATES TO BE CONSISTENT FOR BORROWER'S ENTIRE DEBT.—With respect to any loan to cover the cost of instruction for any period of instruction beginning on or after January 1, 1981, the rate of interest applicable to any borrower shall—

"(1) not exceed 7 percent per year on the unpaid principal balance of the loan in the case of any borrower who, on the date of entering into the note or other written evidence of that loan, has an outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, for which the interest rate does not exceed 7 percent;

"(2) except as provided in paragraph (3), be 9 percent per year on the unpaid principal balance of the loan in the case of any borrower who, on the date of entering into the note or other written evidence of that loan, has no outstanding balance of principal or interest on any loan described in paragraph (1) or any loan for which the interest rate is determined under paragraph (1); or

"(3) be 8 percent per year on the unpaid principal balance of the loan for a loan to cover the cost of education for any period of enrollment beginning on or after a date which is 3 months after a determination made under subsection (b) in the case of any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan for which the interest rate is determined under paragraph (1) or (2) of this subsection.

"(b) REDUCTION FOR NEW BORROWERS AFTER DECLINE IN TREASURY BILL RATES.—If for any 12-month period beginning on or after January 1, 1981, the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 12-month period is equal to or less than 9 percent, the interest rate for loans under this part shall be the rate prescribed in subsection (a)(3) for borrowers described in such subsection.

"(c) RATES FOR SUPPLEMENTAL LOANS FOR STUDENTS AND LOANS FOR PARENTS.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the applicable rate of interest on loans made pursuant to section 428A or 428B on or after October 1, 1981, shall be 14 percent per year on the unpaid principal balance of the loan.

"(2) REDUCTION OF RATE AFTER DECLINE IN TREASURY BILL RATES.—If for any 12-month period beginning on or after October 1, 1981, the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 12-month period is equal to or less than 14 percent, the applicable rate of interest for loans made pursuant to section 428A or 428B on and after the first day of the first month beginning after the date of publication of such determination shall be 12 percent per year on the unpaid principal balance of the loan.

"(3) INCREASE OF RATE AFTER INCREASE IN TREASURY BILL RATES.—If for any 12-month period beginning on or after the date of publication of a determination under paragraph (2), the

Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 12-month period exceeds 14 percent, the applicable rate of interest for loans made pursuant to section 428A or 428B on and after the first day of the first month beginning after the date of publication of that determination under this paragraph shall be 14 percent per year on the unpaid principal balance of the loan.

"(4) AVAILABILITY OF VARIABLE RATES.—(A) For any loan made pursuant to section 428A or 428B to cover the cost of instruction for any period of enrollment beginning on or after July 1, 1987, or any loan made pursuant to such section prior to such date that is refinanced pursuant to section 428A(d) or 428B(d), the applicable rate of interest during any calendar year shall be determined under subparagraph (B), except that such rate shall not exceed 12 percent.

"(B) For any calendar year, the rate determined under this subparagraph is determined on December 15 preceding such calendar year and is equal to—

"(i) the average of the bond equivalent rates of 91-day Treasury bills auctioned during the 12 months ending on November 30 preceding such calendar year; plus

"(ii) 3.75 percent.

"(C) The Secretary shall determine the applicable rate of interest under subparagraph (B) after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

"(d) INTEREST RATES FOR NEW BORROWERS AFTER JULY 1, 1988.—Notwithstanding subsections (a) and (b) of this section, with respect to any loan (other than a loan made pursuant to sections 428A, 428B, and 428C) to cover the cost of instruction for any period of enrollment beginning on or after July 1, 1988, to any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, the applicable rate of interest shall be—

"(1) 8 percent per year on the unpaid principal balance of the loan during the period beginning on the date of the disbursement of the loan and ending 4 years after the commencement of repayment; and

"(2) 10 percent per year on the unpaid principal balance of the loan during the remainder of the repayment period.

"(e) TREATMENT OF EXCESS INTEREST PAYMENTS ON NEW BORROWER ACCOUNTS RESULTING FROM DECLINE IN TREASURY BILL RATES.—

"(1) IN GENERAL.—If, with respect to a loan for which the applicable interest rate is 10 percent under subsection (d) of this section at the close of any calendar quarter, the sum of the average of the bond equivalent rates of 91-day Treasury bills auctioned for that quarter and 3.25 percent is less than 10 percent, then an adjustment shall be made to a borrower's account—

"(A) by calculating excess interest in the amount computed under paragraph (2) of this subsection; and

"(B) by crediting the excess interest to the reduction of principal to the extent provided for under paragraph (3) of this subsection.

"(2) AMOUNT OF ADJUSTMENT.—The amount of any adjustment of interest on a loan to be made under this subsection for any quarter shall be equal to—

"(A) 10 percent minus the sum of (i) the average of the bond equivalent rates of 91-day Treasury bills auctioned for such calendar quarter, and (ii) 3.25 percent; multiplied by

"(B) the outstanding principal balance of the loan (not including unearned interest added to principal) at the end of such calendar quarter; divided by

"(C) four.

"(3) ANNUAL ADJUSTMENT OF INTEREST AND BORROWER ELIGIBILITY FOR CREDIT.—Any adjustment amount computed pursuant to paragraph (2) of this subsection for any quarter shall be credited, by the holder of the loan on the last day of the calendar year in which such quarter falls, to the loan account of the borrower so as to reduce the principal balance of such account. No such credit shall be made to the loan account of a borrower who on the last day of the calendar year is delinquent for more than 30 days in making a required payment on the loan, nor need any credit be made when the amount to be credited is less than $50. Any credit which is to be made to a borrower's account pursuant to this subsection shall be made effective commencing no later than 30 days following the last day of the calendar year in which the quarter falls for which the credit is being made. Nothing in this subsection shall be construed to require refunding any repayment of a loan. At the option of the lender, the amount of such adjustment may be distributed to the borrower either by reduction in the amount of the periodic payment on the loan, or by reducing the number of payments that shall be made with respect to the loan.

"(4) PUBLICATION OF TREASURY BILL RATE.—For the purpose of enabling holders of loans to make the determinations and adjustments provided for in this subsection, the Secretary shall for each calendar quarter commencing with the quarter beginning on July 1, 1987, publish a notice of the average of the bond equivalent rates of 91-day Treasury bills auctioned for such quarter. Such notice shall be published not later than 7 days after the end of the quarter to which the notice relates.

"(5) STUDY OF TREATMENT OF EXCESS INTEREST PAYMENTS PROVISIONS.—The Secretary shall examine and evaluate the provisions of this subsection, and not later than 6 months after the date of enactment of the Higher Education Amendments of 1986, prepare and submit to the Congress such legislative proposals as the Secretary determines are necessary to carry out the objectives of this subsection.

"(f) LESSER RATES PERMITTED.—Nothing in this section or section 428C shall be construed to prohibit a lender from charging a borrower interest at a rate less than the rate which is applicable under this part.

"(g) DEFINITIONS.—For the purpose of subsections (a) and (d) of this section—

"(1) the term 'period of instruction' shall, at the discretion of the lender, be any academic year, semester, trimester, quarter, or other academic period; or shall be the period for which the loan is made as determined by the institution of higher education; and

"(2) the term 'period of enrollment' shall be the period for which the loan is made as determined by the institution of higher education and shall coincide with academic terms such as academic year, semester, trimester, quarter, or other academic period as defined by such institution.

"FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS

"SEC. 428. (a) FEDERAL INTEREST SUBSIDIES.—

"(1) TYPES OF LOANS THAT QUALIFY.—Each student who has received a loan for study at an eligible institution—

"(A) which is insured by the Secretary under this part; or

"(B) which is insured under a program of a State or of a nonprofit private institution or organization which was contracted for, and paid to the student, within the period specified in paragraph (5), and which—

"(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than 60 days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1)) at an eligible institution, or

"(ii) in the case of a loan insured after June 30, 1967, was made by an eligible lender and is insured under a program covered by an agreement made pursuant to subsection (b),

shall be entitled to have paid on his or her behalf and for his or her account to the holder of the loan a portion of the interest on such loan under circumstances described in paragraph (2).

"(2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.—(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall—

"(i) have provided to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which—

"(I) sets forth such student's estimated cost of attendance (as determined under section 472); and

"(II) sets forth such student's estimated financial assistance; and

"(ii) meet the requirements of subparagraph (B).

"(B) For the purpose of clause (ii) of subparagraph (A), a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement evidencing a determination of need for a loan

(as determined under part F of this title) and the amount of such need, subject to the provisions of subparagraph (D).

"(C) For the purpose of paragraph (1) and this paragraph—

"(i) a student's estimated financial assistance means, for the period for which the loan is sought, the amount of assistance such student will receive under subpart 1 of part A (as determined in accordance with section 484(b)), subpart 2 of part A, and parts C and E of this title, and any amount paid the student under chapters 32, 34, and 35 of title 38, United States Code, plus other scholarship, grant, or loan assistance; and

"(ii) the determination of need and of the amount of a loan by an eligible institution under subparagraph (B) with respect to a student shall be calculated by subtracting from the estimated cost of attendance at the eligible institution the total of the expected family contribution with respect to such student plus any estimated financial assistance reasonably available to such student.

"(D) An eligible institution may not, in carrying out the provisions of subparagraphs (A) and (B) of this paragraph, provide a statement which permits the student to receive any loan under this part in excess of the maximum amount applicable to such loan.

"(E) For the purpose of subparagraphs (B) and (C) of this paragraph, any loan obtained by a student under section 428A or a parent under section 428B of this Act or under any State-sponsored or private loan program for an academic year for which the determination is made may be used to offset the expected family contribution of the student for that year.

"(F) Except as provided in subparagraph (D), an eligible institution may not, in carrying out the provisions of subparagraphs (A) and (B) of this paragraph, refuse to provide to any eligible lender which has an agreement under subsection (b) of this section with any guaranty agency, a statement which permits a student to receive any loan under this part.

"(3) AMOUNT OF INTEREST SUBSIDY.—(A)(i) Subject to section 438(c), the portion of the interest on a loan which a student is entitled to have paid, on behalf of and for the account of the student, to the holder of the loan pursuant to paragraph (1) of this subsection shall be equal to the total amount of the interest on the unpaid principal amount of the loan—

"(I) which accrues prior to the beginning of the repayment period of the loan, or

"(II) which accrues during a period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in subsection (b)(1)(M) of this section or in section 427(a)(2)(C).

"(ii) Such portion of the interest on a loan shall not exceed, for any period, the amount of the interest on that loan which is payable by the student after taking into consideration the amount of any interest on that loan which the student is entitled to have paid on his or her behalf for that period under any State or private loan insurance program.

"(iii) The holder of a loan with respect to which payments are required to be made under this section shall be deemed to have a contractual right, as against the United States, to receive from the Secretary the portion of interest which has been so determined without administrative delay after the receipt by the Secretary of an accurate and complete request for payment pursuant to paragraph (4).

"(iv) The Secretary shall pay this portion of the interest to the holder of the loan on behalf of and for the account of the borrower at such times as may be specified in regulations in force when the applicable agreement entered into pursuant to subsection (b) was made, or, if the loan was made by a State or is insured under a program which is not covered by such an agreement, at such times as may be specified in regulations in force at the time the loan was paid to the student.

"(B) If—

"(i) a State student loan insurance program is covered by an agreement under subsection (b),

"(ii) a statute of such State limits the interest rate on loans insured by such program to a rate which is less than the applicable interest rate under this part, and

"(iii) the Secretary determines that subsection (d) does not make such statutory limitation inapplicable and that such statutory limitation threatens to impede the carrying out of the purpose of this part,

then the Secretary may pay an administrative cost allowance to the holder of each loan which is insured under such program and which is made during the period beginning on the 60th day after the date of enactment of the Higher Education Amendments of 1968 and ending 120 days after the adjournment of such State's first regular legislative session which adjourns after January 1, 1969. Such administrative cost allowance shall be paid over the term of the loan in an amount per year (determined by the Secretary) which shall not exceed 1 percent of the unpaid principal balance of the loan.

"(4) SUBMISSION OF STATEMENTS BY HOLDERS ON AMOUNT OF PAYMENT.—Each holder of a loan with respect to which payments of interest are required to be made by the Secretary shall submit to the Secretary, at such time or times and in such manner as the Secretary may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Secretary to determine the amount of the payment which he must make with respect to that loan.

"(5) DURATION OF AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS.—The period referred to in subparagraph (B) of paragraph (1) of this subsection shall begin on the date of enactment of this Act and end at the close of September 30, 1992, except that, in the case of a loan made or insured under a student loan or loan insurance program to enable a student who has obtained a prior loan made or insured under such program to continue his or her education program, such period shall end at the close of September 30, 1997.

"(6) ASSESSMENT OF BORROWER'S FINANCIAL CONDITION NOT PROHIBITED OR REQUIRED.—Nothing in this or any other Act shall be construed to prohibit or require, unless otherwise specifically provided by law, a lender to evaluate the total financial situation of a student making application for a loan under this part, or to counsel a student with respect to any such loan, or to make a decision based on such evaluation and counseling with respect to the dollar amount of any such loan.

"(b) INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.—

"(1) REQUIREMENTS OF INSURANCE PROGRAM.—Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program—

"(A) authorizes the insurance in any academic year or its equivalent (as determined under regulations of the Secretary) for any student who is carrying at an eligible institution at least one-half the normal full-time academic workload (as determined by the institution) in any amount up to a maximum of—

"(i) $2,625 in the case of a student who has not successfully completed the first or second year of a program of undergraduate education;

"(ii) $4,000, in the case of a student who has successfully completed such first and second year but who has not successfully completed the remainder of a program of undergraduate education; and

"(iii) $7,500, in the case of a graduate or professional student (as defined in regulations of the Secretary);

except in cases where the Secretary determines, pursuant to regulations, that a higher amount is warranted in order to carry out the purpose of this part with respect to students engaged in specialized training requiring exceptionally high costs of education, but the annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any years in excess of the annual limit;

"(B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of—

"(i) $17,250, in the case of any student who has not successfully completed a program of undergraduate education; and

"(ii) $54,750, in the case of any graduate or professional student (as defined by regulations of the Secretary and including any loans which are insured by the Secretary under this part, or by a guaranty agency, made to such student before the student became a graduate or professional student);

except that the Secretary may increase the limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive;

"(C) authorizes the insurance of loans to any individual student for at least 6 academic years of study or their equivalent (as determined under regulations of the Secretary);

"(D) provides that (i) the student borrower shall be entitled to accelerate without penalty the whole or any part of an insured loan, (ii) except as provided in subparagraph (M) of this paragraph, the repayment period of any insured loan may not exceed 10 years, and (iii) the note or other written evidence of any loan, may contain such reasonable provisions relating to repayment in the event of default by the borrower as may be authorized by regulations of the Secretary in effect at the time such note or written evidence was executed;

"(E) subject to subparagraphs (D) and (L) of this paragraph and except as provided by subparagraph (M) of this paragraph, provides that repayment of loans shall be in installments over a period of not less than 5 years (unless the student, during the 6 months preceding the start of the repayment period, specifically requests that repayment be made over a shorter period) nor more than 10 years beginning 6 months after the month in which the student ceases to carry at least one-half the normal full-time academic workload as determined by the institution;

"(F) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess (exclusive of any premium for insurance which may be passed on to the borrower) of the rate required by section 427A;

"(G) insures not less than 100 percent of the unpaid principal of loans insured under the program;

"(H) provides for collection of a single insurance premium equal to not more than 3 percent of the principal amount of the loan, by deduction proportionately from each installment payment of the proceeds of the loan to the borrower, and insures that the proceeds of the premium will not be used for incentive payments to lenders;

"(I) provides that the benefits of the loan insurance program will not be denied any student who is eligible for interest benefits under subsection (a) (1) and (2);

"(J) provides that a student may obtain insurance under the program for a loan for any year of study at an eligible institution;

"(K) in the case of a State program, provides that such State program is administered by a single State agency, or by one or more nonprofit private institutions or organizations under supervision of a single State agency;

"(L) provides that the total of the payments by a borrower—

"(i) during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not,

unless the borrower and the lender otherwise agree, be less than $600 or the balance of all such loans (together with interest thereon), whichever amount is less, except that, in the case of a husband and wife, both of whom have such loans outstanding, the total of the combined payments for such a couple during any year shall not be less than $600 or the balance of all such loans, whichever is less; and

"(ii) for a monthly or other similar payment period with respect to the aggregate of all loans held by the lender may, when the amount of a monthly or other similar payment is not a multiple of $5, be rounded to the next highest whole dollar amount that is a multiple of $5;

"(M) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period—

"(i) during which the borrower (I) is pursuing a full-time course of study as determined by an eligible institution, (II) is pursuing at least a half-time course of study (as determined by such institution) for which the student has obtained a loan under this part, or (III) is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for disabled individuals approved by the Secretary;

"(ii) not in excess of 3 years during which the borrower is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

"(iii) not in excess of 3 years during which the borrower is in service as a volunteer under the Peace Corps Act;

"(iv) not in excess of 3 years during which the borrower is in service as a full-time volunteer under the Domestic Volunteer Service Act of 1973;

"(v) not in excess of 3 years during which the borrower is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

"(vi) not in excess of 3 years during which the borrower is engaged as a full-time teacher in a public or private elementary or secondary school in a teacher shortage area established by the Secretary pursuant to paragraph (4) of this subsection;

"(vii) not in excess of 2 years during which the borrower is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service;

"(viii) not in excess of 3 years during which the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a dependent who is so disabled;

"(ix) not in excess of 24 months, at the request of the borrower, during which the borrower is seeking and unable to find full-time employment;

"(x) not in excess of 6 months of parental leave; and

"(xi) not in excess of 12 months for mothers with preschool age children who are just entering or reentering the work force and who are compensated at a rate not exceeding $1 in excess of the rate prescribed under section 6 of the Fair Labor Standards Act of 1938;

"(N) provides that funds borrowed by a student are disbursed to the institution by check or other means that is payable to and requires the endorsement or other certification by such student, except nothing in this title shall be interpreted to allow the Secretary to require checks to be made co-payable to the institution and the borrower or to prohibit the disbursement of loan proceeds by means other than by check;

"(O) provides that the proceeds of any loan made for any period of enrollment that ends more than 180 days (or 6 months) after the date disbursement is scheduled to occur, and for an amount of more than $1,000—

"(i) will be disbursed directly by the lender in two or more installments, none of which exceeds one-half of the loan, with the interval between the first and second installment being disbursed not less than one-third of such period (except as necessary to permit the second installment to be disbursed at the beginning of the second semester, quarter, or similar division of such period of enrollment), or

"(ii) will be disbursed in such installments pursuant to the escrow provisions of subsection (i) of this section,

but all loans issued for the same period of enrollment shall be considered as a single loan for the purpose of this subparagraph and the requirements of this subparagraph shall not apply in the case of a loan made under section 428A, 428B, or 428C, or made to a student to cover the cost of attendance at an eligible institution outside the United States;

"(P) requires the borrower and the institution at which the borrower is in attendance to promptly notify the holder of the loan, directly or through the guaranty agency, concerning any change of address or status;

"(Q) provides for the guarantee of loans made to students and parents under sections 428A and 428B;

"(R) with respect to lenders which are eligible institutions, provides for the insurance of loans by only such institutions as are located within the geographic area served by such guaranty agency;

"(S) provides no restrictions with respect to the insurance of loans for students who are otherwise eligible for loans under such program if such a student is accepted for enrollment in or is attending an eligible institution within the State, or if such a student is a legal resident of the State and is accepted for enrollment in or is attending an eligible institution outside that State;

"(T) provides no restrictions with respect to eligible institutions which are more onerous than eligibility requirements for institutions under the Federal student loan insurance program as in effect on January 1, 1985, unless—

"(i) that institution is ineligible under regulations for the limitation, suspension, or termination of eligible institutions under the Federal student loan insurance program or is ineligible pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility issued under the Federal student loan insurance program; or

"(ii) there is a State constitutional prohibition affecting the eligibility of such an institution; and

"(U) provides (i) for the eligibility of all lenders described in section 435(d)(1) under reasonable criteria, unless (I) that lender is eliminated as a lender under regulations for the limitation, suspension, or termination of a lender under the Federal student loan insurance program or is eliminated as a lender pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility as a lender issued under the Federal student loan insurance program, or (II) there is a State constitutional prohibition affecting the eligibility of a lender, and (ii) assurances that the guaranty agency will report to the Secretary concerning changes in such criteria, including any procedures in effect under such program to limit, suspend, or terminate lenders.

"(2) CONTENTS OF INSURANCE PROGRAM AGREEMENT.—Such an agreement shall—

"(A) provide that the holder of any such loan will be required to submit to the Secretary, at such time or times and in such manner as the Secretary may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Secretary to determine the amount of the payment which must be made with respect to that loan;

"(B) include such other provisions as may be necessary to protect the United States from the risk of unreasonable loss and promote the purpose of this part, including such provisions as may be necessary for the purpose of section 437, and as are agreed to by the Secretary and the guaranty agency, as the case may be;

"(C) provide for making such reports, in such form and containing such information, as the Secretary may reasonably require to carry out the Secretary's functions under this part, and for keeping such records and for affording

such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports;

"(D) provide for—

"(i) conducting, except as provided in clause (ii), financial and compliance audits of the guaranty agency at least once every 2 years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

"(ii) with regard to a guaranty program of a State which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period of time covered by such audit; and

"(E) provide that any guaranty agency may transfer loans which are insured under this part to any other guaranty agency with the approval of the holder of the loan and such other guaranty agency.

"(3) RESTRICTIONS ON INDUCEMENTS, MAILINGS, AND ADVERTISING.—A guaranty agency shall not—

"(A) offer, directly or indirectly, premiums, payments, or other inducements to any educational institution or its employees in order to secure applicants for loans under this part;

"(B) conduct unsolicited mailings to students enrolled in secondary school of student loan application forms; or

"(C) conduct fraudulent or misleading advertising concerning loan availability.

"(4) TARGETED TEACHER DEFERMENT RULE.—(A) The deferment for service as a teacher in a public or nonprofit private elementary or secondary school shall be for service as such a teacher in shortage areas prescribed by the Secretary, in consultation with the chief State school officer or, in the case of nonprofit private elementary or secondary schools, with appropriate officials of the nonprofit private schools in each State in accordance with this subparagraph.

"(B) For the purpose of this paragraph, the term 'shortage areas' means (i) geographic areas of the State in which there is a shortage of elementary and secondary school teachers, and (ii) an area of shortage of elementary and secondary school teachers in specific grade levels and in specific academic, instructional, subject matter, and discipline classifications. In carrying out the provisions of this subparagraph, the Secretary shall give special consideration to areas in which emergency certification of individuals in a State is being used to correct teacher shortages; and to States which have retirement laws permitting early retirement.

"(5) SPECIAL RULE.—For the purpose of paragraph (1)(M) of this subsection, the Secretary shall approve any course of study at a foreign university that is accepted for the completion of a

recognized international fellowship program by the administrator of such a program.

"(6) Guaranty agency information transfers.—(A) Prior to the implementation of section 485B, any guaranty agency may request information regarding loans made after January 1, 1987, to students who are residents of the State for which the agency is the designated guarantor, from any other guaranty agency insuring loans to such students.

"(B) Upon a request pursuant to subparagraph (A), a guaranty agency shall provide—

"(i) the name and the social security number of the borrower; and

"(ii) the amount borrowed, the cumulative amount borrowed, the income reported on the loan application, and the purposes and the cost of attendance of the borrower.

"(C) Any costs associated with fulfilling the request of a guaranty agency for information on students shall be paid by the guaranty agency requesting the information.

"(c) Guaranty Agreements for Reimbursing Losses.—

"(1) Authority to enter into agreements.—(A) The Secretary may enter into a guaranty agreement with any guaranty agency, whereby the Secretary shall undertake to reimburse it, under such terms and conditions as the Secretary may establish, with respect to losses (resulting from the default of the student borrower) on the unpaid balance of the principal and accrued interest of any insured loan, including the administrative costs of supplemental preclaim assistance for default prevention as defined in paragraph (6)(C). The guaranty agency shall be deemed to have a contractual right against the United States, during the life of such loan, to receive reimbursement according to the provisions of this subsection. Upon receipt of an accurate and complete request by a guaranty agency for reimbursement with respect to such losses, the Secretary shall pay promptly and without administrative delay. Except as provided in subparagraph (B) of this paragraph and in paragraph (7), the amount to be paid a guaranty agency as reimbursement under this subsection shall be equal to 100 percent of the amount expended by it in discharge of its insurance obligation incurred under its loan insurance program. In no case shall a guaranty agency file a claim under this subsection for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

"(B) Notwithstanding subparagraph (A)—

"(i) if, for any fiscal year, the amount of such reimbursement payments by the Secretary under this subsection exceeds 5 percent of the loans which are insured by such guaranty agency under such program and which were in repayment at the end of the preceding fiscal year, the amount to be paid as reimbursement under this subsection for such excess shall be equal to 90 percent of the amount of such excess; and

"(ii) if, for any fiscal year, the amount of such reimbursement payments exceeds 9 percent of such loans, the amount to be paid as reimbursement under this subsection for such

excess shall be equal to 80 percent of the amount of such excess.

"(C) For the purpose of this subsection, the amount of loans of a guaranty agency which are in repayment shall be the original principal amount of loans made by a lender which are insured by such a guaranty agency reduced by—

"(i) the amount the insurer has been required to pay to discharge its insurance obligations under this part;

"(ii) the original principal amount of loans insured by it which have been fully repaid; and

"(iii) the original principal amount insured on those loans for which payment of the first installment of principal has not become due pursuant to subsection (b)(1)(E) of this section or such first installment need not be paid pursuant to subsection (b)(1)(M) of this section.

"(2) Contents of guaranty agreements.—The guaranty agreement—

"(A) shall set forth such administrative and fiscal procedures as may be necessary to protect the United States from the risk of unreasonable loss thereunder, to ensure proper and efficient administration of the loan insurance program, and to assure that due diligence will be exercised in the collection of loans insured under the program, including a requirement that each beneficiary of insurance on the loan submit proof that reasonable attempts were made to locate the borrower (when the location of the borrower is unknown) and proof that contact was made with the borrower (when the location is known);

"(B) shall provide for making such reports, in such form and containing such information, as the Secretary may reasonably require to carry out the Secretary's functions under this subsection, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports;

"(C) shall set forth adequate assurances that, with respect to so much of any loan insured under the loan insurance program as may be guaranteed by the Secretary pursuant to this subsection, the undertaking of the Secretary under the guaranty agreement is acceptable in full satisfaction of State law or regulation requiring the maintenance of a reserve;

"(D) shall provide that if, after the Secretary has made payment under the guaranty agreement pursuant to paragraph (1) of this subsection with respect to any loan, any payments are made in discharge of the obligation incurred by the borrower with respect to such loan (including any payments of interest accruing on such loan after such payment by the Secretary), there shall be paid over to the Secretary (for deposit in the fund established by section 431) such proportion of the amounts of such payments as is determined (in accordance with paragraph (6)) to represent his equitable share thereof, but (i) shall provide for subrogation of the United States to the rights of any insurance

beneficiary only to the extent required for the purpose of paragraph (8); and (ii) except as the Secretary may otherwise by or pursuant to regulation provide, amounts so paid by a borrower on such a loan shall be first applied in reduction of principal owing on such loan;

"(E) shall set forth adequate assurance that an amount equal to each payment made under paragraph (1) will be promptly deposited in or credited to the accounts maintained for the purpose of section 422(c);

"(F) set forth adequate assurances that the guaranty agency will not engage in any pattern or practice which results in a denial of a borrower's access to loans under this part because of the borrower's race, sex, color, religion, national origin, age, handicapped status, income, attendance at a particular eligible institution within the area served by the guaranty agency, length of the borrower's educational program, or the borrower's academic year in school; and

"(G) may include such other provisions as may be necessary to promote the purpose of this part.

"(3) FORBEARANCE.—To the extent provided in regulations of the Secretary, a guaranty agreement under this subsection may contain provisions which permit such forbearance for the benefit of the student borrower as may be agreed upon by the parties to an insured loan and approved by the insurer. Such regulations shall not preclude guaranty agencies from permitting the parties to such a loan from entering into a forbearance agreement solely because the loan is in default.

"(4) DEFINITIONS.—For the purpose of this subsection, the terms 'insurance beneficiary' and 'default' have the meanings assigned to them by section 435.

"(5) APPLICABILITY TO EXISTING LOANS.—In the case of any guaranty agreement with a guaranty agency, the Secretary may, in accordance with the terms of this subsection, undertake to guarantee loans described in paragraph (1) which are insured by such guaranty agency and are outstanding on the date of execution of the guaranty agreement, but only with respect to defaults occurring after the execution of such guaranty agreement or, if later, after its effective date.

"(6) SECRETARY'S EQUITABLE SHARE.—(A) For the purpose of paragraph (2)(D), the Secretary's equitable share of payments made by the borrower shall be that portion of the payments remaining after the guaranty agency with which the Secretary has an agreement under this subsection has deducted from such payments—

"(i) a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and

"(ii) an amount equal to 30 percent of such payments (subject to subparagraph (D) of this paragraph) for costs related to the student loan insurance program, including the administrative costs of collection of loans reimbursed under this subsection, the administrative costs of preclaims assistance for default prevention, the administrative costs of supplemental preclaims assistance for default prevention, and

the administrative costs of monitoring the enrollment and repayment status of students (as such terms are defined in subparagraph (B) or (C) of this paragraph).

"(B) For the purpose of this paragraph and subsection (f) of this section, the term—

"(i) 'administrative costs of collection of loans' means any administrative costs incurred by a guaranty agency which are directly related to the collection of the loan on which a default claim has been paid to the participating lender, including the attributable compensation of collection personnel (and in the case of personnel who perform several functions for such an agency only the portion of the compensation attributable to the collection activity), attorney's fees, fees paid to collection agencies, postage, equipment, supplies, telephone and similar charges, but does not include the overhead costs of such agency whether or not attributable;

"(ii) 'administrative costs of preclaim assistance for default prevention' means any administrative costs incurred by a guaranty agency which are directly related to providing collection assistance to the lender on a delinquent loan, prior to the loan's being legally in a default status, including the attributable compensation of appropriate personnel (and in the case of personnel who perform several functions for such an agency only the portion of compensation attributable to the collection activity), fees paid to locate a missing borrower, postage, equipment, supplies, telephone and similar charges, but does not include the overhead costs of such agency whether or not attributable; and

"(iii) 'administrative costs of monitoring the enrollment and repayment status of students' means any administrative costs by a guaranty agency which are directly related to ascertaining the student's enrollment status, prompt notification to the lender of such status, an audit of the note or written agreement to determine if the provisions of that note or agreement are consistent with the records of the guaranty agency as to the principal amount of the loan guaranteed, and an examination of the note or agreement to assure that the repayment provisions are consistent with the provisions of this part,

subject to such additional criteria as the Secretary may by regulation prescribe.

"(C)(i) For the purpose of this paragraph, 'administrative costs of supplemental preclaims assistance' means (subject to divisions (ii) through (iv)) any administrative costs—

"(I) incurred by a guaranty agency in connection with a loan on which the guarantor has exercised preclaims assistance required or permitted under paragraph (2)(A) of this subsection and subsection (f), and which has been in delinquent status for at least 120 days; and

"(II) which are directly related to providing collection assistance to the lender on a delinquent loan, prior to a claim being filed with the guaranty agency,

including the attributable compensation of appropriate personnel (and in the case of personnel who perform several functions, only the portion of compensation attributable to the collection assistance), fees paid to locate a missing borrower, postage, equipment, supplies, telephone, and similar charges, but does not include overhead costs.

"(ii) The administrative costs for which reimbursement is authorized under this subparagraph must be clearly supplemental to the preclaim assistance for default prevention which the guaranty agency is required or permitted to provide pursuant to paragraph (2)(A) of this subsection and subsection (f).

"(iii) The services associated with carrying out this subparagraph may be provided by the guaranty agency directly or under contract, except that such services may not be carried out by an organization or entity (other than the guaranty agency)—

"(I) that is the holder or servicer of the loan or an organization or entity that owns or controls the holder or servicer of the loan;

"(II) that is owned or controlled by the same corporation, partnership, association, or individual that owns or controls the holder or servicer of the loan; or

"(III) that is an organization or entity that has a contract with a guaranty agency to perform collection activities with respect to the same loans in the event of default.

"(iv) The costs for each delinquent loan associated with carrying out this subparagraph may not exceed 2 percent of the outstanding principal balance of each such loan subject to the supplemental preclaims assistance authorized by this subparagraph or $100, whichever is less.

"(D) In the case of a State which enacts a garnishment law that complies with the requirements of section 428E, subparagraph (A)(ii) shall be applied by substituting '35 percent' for '30 percent'.

"(7) NEW PROGRAMS ELIGIBLE FOR 100 PERCENT REINSURANCE.—(A) Notwithstanding paragraph (1)(B), the amount to be paid a guaranty agency for any fiscal year—

"(i) which begins on or after October 1, 1977; and

"(ii) which is either the fiscal year in which such guaranty agency begins to actively carry on a student loan insurance program which is subject to a guaranty agreement under subsection (b) of this section, or is one of the 4 succeeding fiscal years,

shall be 100 percent of the amount expended by such guaranty agency in discharge of its insurance obligation insured under such program.

"(B) The Secretary shall continuously monitor the operations of those guaranty agencies to which the provisions of subparagraph (A) are applicable and revoke the application of such subparagraph to any such guaranty agency which the Secretary determines has not exercised reasonable prudence in the administration of such program.

"(8) ASSIGNMENT TO PROTECT FEDERAL FISCAL INTEREST.—If the Secretary determines that the protection of the Federal fiscal interest so requires, a guaranty agency shall assign to the

Secretary any loan of which it is the holder and for which the Secretary has made a payment pursuant to paragraph (1) of this subsection.

"(9) Reinsurance fees.—(A) Any guaranty agency which has entered into an agreement with the Secretary pursuant to this subsection shall pay to the Secretary during each fiscal year a reinsurance fee in an amount equal to—

"(i) 0.25 percent of the total principal amount of the loans upon which insurance was issued by such agency during such fiscal year, in any fiscal year other than a fiscal year described in clause (ii); or

"(ii) 0.5 percent of the total principal amount of the loans upon which insurance was issued by such agency during such fiscal year, in any fiscal year with respect to which the Secretary reimbursed the agency for any losses (resulting from the default of the borrower) pursuant to paragraph (1)(B) of this subsection.

"(B) The amount to be paid pursuant to subparagraph (A) may be paid from any funds available to the guaranty agency.

"(C) When the Secretary first reimburses a guaranty agency pursuant to paragraph (1)(B) of this subsection, the Secretary shall notify such agency of the exact date of such reimbursement.

"(d) Usury Laws Inapplicable.—No provision of any law of the United States (other than this Act) or of any State (other than a statute applicable principally to such State's student loan insurance program) which limits the rate or amount of interest payable on loans shall apply to a loan—

"(1) which bears interest (exclusive of any premium for insurance) on the unpaid principal balance at a rate not in excess of the rate specified in this part; and

"(2) which is insured (i) by the United States under this part, or (ii) by a guaranty agency under a program covered by an agreement made pursuant to subsection (b) of this section.

"(e) Payments for Lender Referral Services.—

"(1) In general.—The Secretary shall make payments in accordance with this paragraph to a guaranty agency in any State which provides a lender referral service for students who meet the requirements of paragraph (2).

"(2) Student eligibility.—A student is eligible to apply for lender referral services to a guaranty agency in a State if—

"(A) such student is either a resident of such State or is accepted for enrollment in or is attending an eligible institution in such State; and

"(B) such student has sought and was unable to find a lender willing to make a loan under this part.

"(3) Amount of payment.—The amount which the Secretary shall pay to any eligible guaranty agency under this paragraph shall be equal to one-half of 1 percent of the total principal amount of the loans (upon which insurance was issued under this part) to a student described in paragraph (2) who subsequently obtained such loans because of such agency's referral service.

"(4) INCENTIVE FEES TO LENDERS.—Nothing in this or any law shall prohibit an agency from using all or any portion of the funds received under this part for the payment of incentive fees to lenders who agree to participate in a lender referral service.

"(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as are necessary to carry out the provisions of this paragraph.

"(f) PAYMENTS OF CERTAIN COSTS.—

"(1) PAYMENTS BASED ON INSURANCE PROGRAM AGREEMENT.—(A) The Secretary shall make payments in accordance with the provisions of this paragraph to any guaranty agency for the purposes of—

"(i) the administrative cost of promotion of commercial lender participation;

"(ii) the administrative costs of collection of loans;

"(iii) the administrative costs of preclaims assistance for default prevention;

"(iv) the administrative costs of monitoring the enrollment and repayment status of students; or

"(v) other such costs related to the student loan insurance program subject to such agreement.

"(B) The total amount of payments for any fiscal year made under this paragraph shall be equal to 1 percent of the total principal amount of the loans upon which insurance was issued under this part during such fiscal year by such guaranty agency. The guaranty agency shall be deemed to have a contractual right against the United States to receive payments according to the provisions of this subparagraph. Payments shall be made promptly and without administrative delay to any guaranty agency submitting an accurate and complete application therefor under this subparagraph.

"(2) APPLICATIONS FOR PAYMENTS.—No payment may be made under paragraph (1) of this subsection unless the guaranty agency submits to the Secretary an application at such time, at least annually, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require. Each such application shall—

"(A) set forth assurances that the student loan insurance program subject to the guaranty agreement complies with subparagraphs (A), (B), (G), (R), (S), (T), and (U) of subsection (b)(1);

"(B) contain provisions designed to demonstrate the capability of carrying out a necessary and successful program of collection of and preclaim assistance for the loan program subject to that agreement;

"(C) set forth an estimate of the costs which are eligible for payment under the provisions of this subsection;

"(D) provide for such administrative and fiscal procedures, including an audit, as are necessary to carry out the provisions of this subsection; and

"(E) set forth assurances that the guaranty agency will furnish such data and information, including where necessary estimates, as the Secretary may reasonably require, to carry out the provisions of this subsection.

"(g) ACTION ON INSURANCE PROGRAM AND GUARANTY AGREEMENTS.—If a nonprofit private institution or organization—

"(1) applies to enter into an agreement with the Secretary under subsections (b) and (c) with respect to a student loan insurance program to be carried on in a State with which the Secretary does not have an agreement under subsection (b), and

"(2) as provided in the application, undertakes to meet the requirements of section 422(c)(6)(B) (i), (ii), and (iii),

the Secretary shall consider and act upon such application within 180 days, and shall forthwith notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives of his actions.

"(h) LENDING BY GUARANTY AGENCIES.—

"(1) LENDING FROM SALLIE MAE ADVANCES.—From sums advanced by the Association pursuant to section 439(p), each guaranty agency or an eligible lender in a State described in section 435(d)(1) (D) or (F) of the Act is authorized to make loans directly to students otherwise unable to obtain loans under this part.

"(2) AMOUNT OF ADVANCES.—(A) Each guaranty agency or an eligible lender in a State described in section 435(d)(1) (D) or (F) which has an application approved under section 439(p)(2) may receive advances under section 439(p) for each fiscal year in an amount necessary to meet the demand for loans under this section. The amount such agency or lender is eligible to receive may not exceed 25 percent of the average of the loans guaranteed by that agency or lender for the 3 years preceding the fiscal year for which the determination is made. Whenever the determination required by the preceding sentence cannot be made because the agency or lender does not have 3 years previous experience, the amount such agency or lender is eligible to receive may not exceed 25 percent of the loans guaranteed under a program of a State of comparable size.

"(B) Each guaranty agency and each eligible lender in a State described in section 435(d)(1) (D) or (F) shall repay advances made under section 439(p) in accordance with agreements entered into between the Association and such agency or lender.

"(3) LOAN TERM, CONDITIONS, AND BENEFITS.—Loans made pursuant to this subsection shall have the same terms, conditions, and benefits as all other loans made under this part.

"(i) MULTIPLE DISBURSEMENT OF LOANS.—

"(1) ESCROW ACCOUNTS ADMINISTERED BY ESCROW AGENT.—Any guaranty agency or eligible lender (hereafter in this subsection referred to as the 'escrow agent') may enter into an agreement with any other eligible lender that is not an eligible institution or an agency or instrumentality of the State (hereafter in this subsection referred to as the 'lender') for the purpose of authorizing multiple disbursements of the proceeds of a loan to a student. Such agreement shall provide that the lender will pay the proceeds of such loans into an escrow account to be administered by the escrow agent in accordance with the provisions of paragraph (2) of this subsection. Such agreement may allow the lender to make payments into the escrow account in amounts that do not exceed the sum of the amounts required for disbursement of initial or subsequent installments to borrowers

and to make such payments not more than 45 days prior to the date of the disbursement of such installment to such borrowers. Such agreement shall require the lender to notify promptly the eligible institution when funds are escrowed under this subsection for a student at such institution.

"(2) AUTHORITY OF ESCROW AGENT.—Each escrow agent entering into an agreement under paragraph (1) of this subsection is authorized to—

"(A) make the disbursements in accordance with the note evidencing the loan;

"(B) commingle the proceeds of all loans paid to the escrow agent pursuant to the escrow agreement entered into under such paragraph (1);

"(C) invest the proceeds of such loans in obligations of the Federal Government or obligations which are insured or guaranteed by the Federal Government;

"(D) retain interest or other earnings on such investment; and

"(E) return to the lender undisbursed funds when the student ceases to carry at an eligible institution at least one-half of the normal full-time academic workload as determined by the institution.

"(j) LENDERS-OF-LAST-RESORT.—In each State, the guaranty agency or an eligible lender in the State described in section 435(d)(1)(D) of this Act shall make loans directly, or through an agreement with an eligible lender or lenders, to students eligible to receive interest benefits paid on their behalf under subsection (a) of this section who are otherwise unable to obtain loans under this part. Loans made under this subsection shall not exceed the amount of the need of the borrower, as determined under subsection (a)(2)(B), nor be less than $200.

"(k) INFORMATION ON DEFAULTS.—

"(1) PROVISION OF INFORMATION TO ELIGIBLE INSTITUTIONS.—In order to notify eligible institutions of former students who are in default of their continuing obligation to repay student loans, each guaranty agency may, upon the request of an eligible institution, furnish information with respect to students who were enrolled at the eligible institution and who are in default on the repayment of any loan made, insured, or guaranteed under this part. The information authorized to be furnished under this subsection may include the names and addresses of such students.

"(2) PUBLIC DISSEMINATION NOT AUTHORIZED.—Nothing in paragraph (1) of this subsection shall be construed to authorize public dissemination of the information described in paragraph (1).

"SUPPLEMENTAL LOANS FOR STUDENTS

"SEC. 428A. (a) AUTHORITY TO BORROW.—Graduate and professional students (as defined by regulations of the Secretary) and undergraduate independent students shall be eligible to borrow funds under this section in amounts specified in subsection (b), and unless otherwise specified in subsections (c) and (d), loans under this sec-

tion shall have the same terms, conditions, and benefits as all other loans made under this part.

"(b) Limitations on Amounts of Loans.—

"(1) Annual limit.—Subject to paragraphs (2) and (3), the maximum amount a student may borrow in any academic year or its equivalent (as defined by regulation by the Secretary) is $4,000.

"(2) Aggregate limit.—The aggregate insured principal amount for insured loans made to any student under this section, exclusive of interest capitalized under subsection (c), shall not exceed $20,000.

"(3) Limitation based on need.—Any loan under this section may be counted as part of the expected family contribution in the determination of need under this title, but no loans may be made to any student under this section which would cause the student's combined loans for any academic year to exceed the student's estimated cost of attendance minus such student's estimated financial assistance as certified by the eligible institution under section 428(a)(2)(A) of this part. The annual insurable limit on account of the student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.

"(c) Payment of Principal and Interest.—

"(1) Commencement of repayment.—Repayment of principal on loans made under this section shall commence not later than 60 days after the date such loan is disbursed by the lender, subject to deferral pursuant to sections 427(a)(2)(C) and 428(b)(1)(M).

"(2) Capitalization of interest.—Interest on loans made under this section for which payments of principal and interest are deferred under sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i) shall, if agreed upon by the borrower and the lender (A) be paid quarterly or (B) be added to the principal amount of the loan on a quarterly basis by the lender. Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.

"(3) Subsidies prohibited.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this section.

"(4) Applicable rates of interest.—Interest on loans made pursuant to this section shall be at the applicable rate of interest provided in section 427A(c).

"(5) Amortization.—The amount of the periodic payment and the repayment schedule for any loan made pursuant to this section shall be established by assuming an interest rate equal to the applicable rate of interest at the time the repayment of the principal amount of the loan commences. At the option of the lender, the note or other written evidence of the loan may require that—

"(A) the amount of the periodic payment will be adjusted annually, or

"(B) the period of repayment of principal will be lengthened or shortened,

in order to reflect adjustments in interest rates occurring as a consequence of section 427A(c)(4).

"(d) REFINANCING.—

"(1) REFINANCING TO SECURE COMBINED PAYMENT.—An eligible lender may consolidate loans held by it which are made under this section to a borrower, including loans which were made under section 428B as in effect prior to the enactment of the Higher Education Amendments of 1986, under a single repayment schedule which provides for a single principal payment and a single payment of interest, and shall calculate the repayment period for each included loan from the date of the commencement of repayment of the most recent included loan. Unless the borrower complies with the requirements of paragraph (2), such consolidated loan shall bear interest at the weighted average of the rates of all included loans. The extension of any repayment period of an included loan pursuant to this paragraph shall be reported to the Secretary or guaranty agency insuring the loan, as the case may be, but no additional insurance premiums shall be payable with respect to any such extension. The extension of the repayment period of any included loan shall not require the formal extension of the promissory note evidencing the included loan or the execution of a new promissory note, but shall be treated as an administrative forbearance of the repayment terms of the included loan.

"(2) REFINANCING TO SECURE VARIABLE INTEREST RATE.—An eligible lender may reissue a loan which was made under section 428B as in effect prior to the enactment of the Higher Education Amendments of 1986 in order to permit the borrower to obtain the interest rate provided under section 427A(c)(4). A lender offering to reissue a loan for such purpose may charge a borrower an amount not to exceed $100 to cover the administrative costs of reissuing such loan, not more than one-half of which shall be paid to the guarantor of the loan being reissued to recover costs of reissuance. Reissuance of a loan under this paragraph shall not affect any insurance applicable with respect to the loan, and no additional insurance fee may be charged to the borrower with respect to the loan.

"(3) REFINANCING BY DISCHARGE OF PREVIOUS LOAN.—A borrower who has applied to an original lender for reissuance of a loan under paragraph (2) and who is denied such reissuance may obtain a loan from another lender for the purpose of discharging the loan from such original lender. A loan made for such purpose—

"(A) shall bear interest at the applicable rate of interest provided under section 427A(c)(4);

"(B) shall not result in the extension of the duration of the note (other than as permitted under subsection (c)(5)(B));

"(C) may be subject to an additional insurance fee but shall not be subject to the administrative cost charge permitted by paragraph (2) of this subsection; and

"(D) shall be applied to discharge the borrower from any remaining obligation to the original lender with respect to the original loan.

"(4) Certification in lieu of promissory note presentation.—Each new lender may accept certification from the original lender of the borrower's original loan in lieu of presentation of the original promissory note.

"(5) Notification to borrowers of availability of refinancing options.—Each holder of a loan made under this section or under section 428B as in effect prior to the date of enactment of this Act shall, not later than January 1, 1987, in the case of loans made before the date of enactment of this Act, notify the borrower of such loan—

"(A) of the refinancing options for which the borrower is eligible under this subsection;

"(B) of those options which will be made available by the holder; and

"(C) that, with respect to any option that the holder will not make available, the holder will, to the extent practicable, refer the borrower to an eligible lender offering such option.

"PLUS LOANS

"Sec. 428B. (a) Authority To Borrow.—Parents of a dependent student shall be eligible to borrow funds under this section in amounts specified in subsection (b), and unless otherwise specified in subsections (c) and (d), such loans shall have the same terms, conditions, and benefits as all other loans made under this part. Whenever necessary to carry out the provisions of this section, the terms 'student' and 'borrower' as used in this part shall include a parent borrower under this section, but such a parent borrower shall not be eligible for any deferment pursuant to section 427(a)(2)(C) or 428(b)(1)(M) except for the deferments allowed (with respect to the student) under clauses (i), (viii), and (ix) of such sections.

"(b) Limitations on Amounts of Loans.—

"(1) Annual limit.—Subject to paragraphs (2) and (3), the maximum amount parents may borrow for one student in any academic year or its equivalent (as defined by regulation of the Secretary) is $4,000.

"(2) Aggregate limit.—The aggregate insured principal amount for insured loans made to parents on account of a student shall not exceed $20,000.

"(3) Limitation based on need.—Any loan under this section may be counted as part of the expected family contribution in the determination of need under this title, but no loan may be made to any parent under this section which would cause the combined loans of the parent and the student for any academic year to exceed the student's estimated cost of attendance minus such student's estimated financial assistance as certified by the eligible institution under section 428(a)(2)(A) of this part. The annual insurable limit on account of any student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.

"(c) Payment of Principal and Interest.—

"(1) COMMENCEMENT OF REPAYMENT.—Repayment of principal on loans made under this section shall commence not later than 60 days after the date such loan is disbursed by the lender, subject to deferral pursuant to sections 427(a)(2)(C) (i), (viii), and (ix) and 428(b)(1)(M) (i), (viii), and (ix).

"(2) CAPITALIZATION OF INTEREST.—Interest on loans made under this section for which payments of principal and interest are deferred under sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i) shall, if agreed upon by the borrower and the lender (A) be paid quarterly or (B) be added to the principal amount of the loan on a quarterly basis by the lender. Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.

"(3) SUBSIDIES PROHIBITED.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this section.

"(4) APPLICABLE RATES OF INTEREST.—Interest on loans made pursuant to this section shall be at the applicable rate of interest provided in section 427A(c).

"(5) AMORTIZATION.—The amount of the periodic payment and the repayment schedule for any loan made pursuant to this section shall be established by assuming an interest rate equal to the applicable rate of interest at the time the repayment of the principal amount of the loan commences. At the option of the lender, the note or other written evidence of the loan may require that—

"(A) the amount of the periodic payment will be adjusted annually, or

"(B) the period of repayment of principal will be lengthened or shortened,

in order to reflect adjustments in interest rates occurring as a consequence of section 427A(c)(4).

"(d) REFINANCING.—

"(1) REFINANCING TO SECURE COMBINED PAYMENT.—An eligible lender may consolidate loans held by it which are made under this section to a borrower, including loans which were made under section 428B as in effect prior to the enactment of the Higher Education Amendments of 1986, under a single repayment schedule which provides for a single principal payment and a single payment of interest, and shall calculate the repayment period for each included loan from the date of the commencement of repayment of the most recent included loan. Unless the borrower complies with the requirements of paragraph (2), such consolidated loan shall bear interest at the weighted average of the rates of all included loans. The extension of any repayment period of an included loan pursuant to this paragraph shall be reported to the Secretary or guaranty agency insuring the loan, as the case may be, but no additional insurance premiums shall be payable with respect to any such extension. The extension of the repayment period of any included loan shall not require the formal extension of the promissory note evidencing the included loan or the execution of a new promissory note, but shall be treated as an administrative forbearance of the repayment terms of the included loan.

"(2) REFINANCING TO SECURE VARIABLE INTEREST RATE.—An eligible lender may reissue a loan which was made under section 428B as in effect prior to the enactment of the Higher Education Amendments of 1986 in order to permit the borrower to obtain the interest rate provided under section 427A(c)(4). A lender offering to reissue a loan for such purpose may charge a borrower an amount not to exceed $100 to cover the administrative costs of reissuing such loan, not more than one-half of which shall be paid to the guarantor of the loan being reissued to cover costs of reissuance. Reissuance of a loan under this paragraph shall not affect any insurance applicable with respect to the loan, and no additional insurance fee may be charged to the borrower with respect to the loan.

"(3) REFINANCING BY DISCHARGE OF PREVIOUS LOAN.—A borrower who has applied to an original lender for reissuance of a loan under paragraph (2) and who is denied such reissuance may obtain a loan from another lender for the purpose discharging the loan from such original lender. A loan made for such purpose—

"(A) shall bear interest at the applicable rate of interest provided under section 427A(c)(4);

"(B) shall not result in the extension of the duration of the note (other than as permitted under subsection (c)(5)(B));

"(C) may be subject to an additional insurance fee but shall not be subject to the administrative cost charge permitted by paragraph (2) of this subsection; and

"(D) shall be applied to discharge the borrower from any remaining obligation to the original lender with respect to the original loan.

"(4) CERTIFICATION IN LIEU OF PROMISSORY NOTE PRESENTATION.—Each new lender may accept certification from the original lender of the borrower's original loan in lieu of presentation of the original promissory note.

"(5) NOTIFICATION TO BORROWERS OF AVAILABILITY OF REFINANCING OPTIONS.—Each holder of a loan made under this section or under section 428B as in effect prior to the date of enactment of this Act shall, not later than January 1, 1987, in the case of loans made before the date of enactment of this Act, notify the borrower of such loan—

"(A) of the refinancing options for which the borrower is eligible under this subsection;

"(B) of those options which will be made available by the holder; and

"(C) that, with respect to any option that the holder will not make available, the holder will, to the extent practicable, refer the borrower to an eligible lender offering such option.

"CONSOLIDATION LOANS

"SEC. 428C. (a) AGREEMENTS WITH ELIGIBLE LENDERS.—

"(1) AGREEMENT REQUIRED FOR INSURANCE COVERAGE.—For the purpose of providing loans to eligible borrowers for consolidation of their obligations with respect to eligible student loans,

the Secretary or a guaranty agency shall enter into agreements in accordance with subsection (b) with the following eligible lenders:

"(A) the Student Loan Marketing Association;

"(B) State agencies described in subparagraphs (D) and (F) of section 435(d)(1); and

"(C) other eligible lenders described in subparagraphs (A), (B), (C), and (E) of such section.

"(2) INSURANCE COVERAGE OF CONSOLIDATIONS LOANS.—Except as provided in section 429(e), no contract of insurance under this part shall apply to a consolidation loan unless such loan is made under an agreement pursuant to this section and is covered by a certificate issued in accordance with subsection (b)(2). Loans covered by such a certificate that is issued by a guaranty agency shall be considered to be insured loans for the purposes of reimbursements under section 428(c), but no payment shall be made with respect to such loans under section 428(f) to any such agency.

"(3) DEFINITION OF ELIGIBLE BORROWER.—(A) For the purpose of this section, the term 'eligible borrower' means a borrower who, at the time of application for a consolidation loan—

"(i) has an outstanding indebtedness on eligible student loans, at the time of application for a consolidation loan, of not less than $5,000;

"(ii) is in repayment status, or in a grace period preceding repayment, and is not delinquent with respect to any required payment on such indebtedness by more than 90 days; and

"(iii) is not a parent borrower under section 428B.

"(B) An individual's status as an eligible borrower under this section terminates upon receipt of a consolidation loan under this section except with respect to loans received under this title after the date of receipt of the consolidation loan. Loans made under this section shall, to the extent used to discharge loans made under this part, be counted against the applicable limitations on aggregate indebtedness contained in sections 425(a)(2) and 428(b)(1)(B).

"(4) DEFINITION OF ELIGIBLE STUDENT LOANS.—For the purpose of paragraph (1), the term 'eligible student loans' means loans—

"(A) made, insured, or guaranteed under this part;

"(B) made under part E of this title; or

"(C) made under subpart II of part C of title VII of the Public Health Service Act.

"(b) CONTENTS OF AGREEMENTS, CERTIFICATES OF INSURANCE, AND LOAN NOTES.—

"(1) AGREEMENTS WITH LENDERS.—Any lender described in subparagraph (A), (B), or (C) of subsection (a)(1) who wishes to make consolidation loans under this section shall enter into an agreement with the Secretary or a guaranty agency which provides—

"(A) that, in the case of all lenders described in subsection (a)(1), the lender will make a consolidation loan to an eligible borrower (on request of that borrower) only if the

borrower certifies that the borrower has no other application pending for a loan under this section and (i) the lender holds an outstanding loan of that borrower which is selected by the borrower for consolidation under this section, or (ii) the borrower certifies that the borrower has sought and has been unable to obtain a consolidation loan from the holders of the outstanding loans of that borrower (which are so selected for consolidation);

"(B) that each consolidation loan made by the lender will bear interest, and be subject to repayment, in accordance with subsection (c);

"(C) that each consolidation loan will be made, notwithstanding any other provision of this part limiting the annual or aggregate principal amount for all insured loans made to a borrower, in an amount (i) which is not less than the minimum amount required for eligibility of the borrower under subsection (a)(2), and (ii) which is equal to the sum of the unpaid principal and accrued unpaid interest and late charges of all loans received by the eligible borrower under this title which are selected by the borrower for consolidation;

"(D) that the proceeds of each consolidation loan will be paid by the lender to the holder or holders of the loans so selected to discharge the liability on such loans;

"(E) such other terms and conditions as the Secretary or the guaranty agency may specifically require of the lender to carry out this section.

"(2) ISSUANCE OF CERTIFICATE OF COMPREHENSIVE INSURANCE COVERAGE.—The Secretary shall issue a certificate of comprehensive insurance coverage under section 429(b) to a lender which has entered into an agreement with the Secretary under paragraph (1) of this subsection. The guaranty agency may issue a certificate of comprehensive insurance coverage to a lender with which it has an agreement under such paragraph. The Secretary shall not issue a certificate to a lender described in subparagraph (B) or (C) of subsection (a)(1) unless the Secretary determines that such lender has first applied to, and has been denied a certificate of insurance by, the guaranty agency which insures the preponderance of its loans (by value).

"(3) CONTENTS OF CERTIFICATE.—A certificate issued under paragraph (2) shall, at a minimum, provide—

"(A) that all consolidation loans made by such lender in conformity with the requirements of this section will be insured by the Secretary or the guaranty agency (whichever is applicable) against loss of principal and interest;

"(B) that a consolidation loan will not be insured unless the lender has determined to its satisfaction, in accordance with reasonable and prudent business practices, for each loan being consolidated—

"(i) that the loan is a legal, valid, and binding obligation of the borrower;

"(ii) that each such loan was made and serviced in compliance with applicable laws and regulations; and

"(iii) in the case of loans under this part, that the insurance on such loan is in full force and effect;

"(C) the effective date and expiration date of the certificate;

"(D) the aggregate amount to which the certificate applies;

"(E) the reporting requirements of the Secretary on the lender and an identification of the office of the Department of Education or of the guarantee agency which will process claims and perform other related administrative functions;

"(F) the alternative repayment terms which will be offered to borrowers by the lender;

"(G) that, if the lender prior to the expiration of the certificate no longer proposes to make consolidation loans, the lender will so notify the issuer of the certificate in order that the certificate may be terminated (without affecting the insurance on any consolidation loan made prior to such termination); and

"(H) the terms upon which the issuer of the certificate may limit, suspend, or terminate the lender's authority to make consolidation loans under the certificate (without affecting the insurance on any consolidation loan made prior to such limitation, suspension, or termination).

"(4) TERMS AND CONDITIONS OF LOANS.—A consolidation loan made pursuant to this section shall be insurable by the Secretary or a guaranty agency pursuant to paragraph (2) only if the loan is made to an eligible borrower who has agreed to notify the holder of the loan promptly concerning any change of address and the loan is evidenced by a note or other written agreement which—

"(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by him or her would not, under applicable law, create a binding obligation, endorsement may be required;

"(B) provides for the payment of interest and the repayment of principal in accordance with subsection (c) of this section;

"(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period for which the borrower would be eligible for a deferral under clause (i), (viii), or (ix) of section 428(b)(1)(M), and that any such period shall not be included in determining the repayment period pursuant to subsection (c)(2) of this section;

"(D) entitles the borrower to accelerate without penalty repayment of the whole or any part of the loan; and

"(E)(i) contains a notice of the system of disclosure concerning such loan to credit bureau organizations under section 430A, and

"(ii) provides that the lender on request of the borrower will provide information on the repayment status of the note to such organizations.

"(c) PAYMENT OF PRINCIPAL AND INTEREST.—

"(1) INTEREST RATES.—(A) Consolidation loans made under this section shall bear interest at rates determined under subparagraph (B) or (C). For the purposes of payment of special allowances under section 438(b)(2), the interest rate required by this subsection is the applicable interest rate with respect to a consolidation loan.

"(B) Except as provided in subparagraph (C), a consolidation loan shall bear interest at an annual rate on the unpaid principal balance of the loan which is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

"(C) A consolidation loan shall bear interest at an annual rate on the unpaid principal balance of the loan equal to not less than 9 percent.

"(2) REPAYMENT SCHEDULES.—(A) Notwithstanding any other provision of this part, to the extent authorized by its certificate of insurance under subsection (b)(2)(F) and approved by the issuer of such certificate, the lender of a consolidation loan shall establish repayment terms as will promote the objectives of this section, which may include the establishment of graduated or income sensitive repayment schedules. Such repayment terms shall require that if the sum of the consolidation loan and the amount outstanding on other student loans to the individual—

> *"(i) is equal to or greater than $5,000 but less than $7,500, then such consolidation loan shall be repaid in not more than 10 years;*
>
> *"(ii) is equal to or greater than $7,500 but less than $10,000, then such consolidation loan shall be repaid in not more than 12 years;*
>
> *"(iii) is equal to or greater than $10,000 but less than $20,000, then such consolidation loan shall be repaid in not more than 15 years;*
>
> *"(iv) is equal to or greater than $20,000 but less than $45,000, then such consolidation loan shall be repaid in not more than 20 years; or*
>
> *"(v) is more than $45,000, then such consolidation loan shall be repaid in not more than 25 years.*

"(B) Unless a consolidation loan under subparagraph (A)(ii) will be used to discharge at least $5,000 of loans made under this part, such loan shall be repaid in accordance with subparagraph (A)(i).

"(C) The amount outstanding on other student loans which may be counted for the purpose of subparagraph (A) may not exceed the amount of the consolidation loan.

"(3) ADDITIONAL REPAYMENT REQUIREMENTS.—Notwithstanding paragraph (2)—

> *"(A) a repayment schedule established with respect to a consolidation loan shall require that the minimum installment payment equal to not less than the accrued unpaid interest; and*
>
> *"(B) the lender of a consolidation loan may, with respect to repayment on the loan, when the amount of a monthly or other similar payment on the loan is not a multiple of $5,*

round the payment to the next highest whole dollar amount that is a multiple of $5.

"(4) COMMENCEMENT OF REPAYMENT.—Repayment of a consolidation loan shall commence within 60 days after all holders have, pursuant to subsection (b)(1)(D), discharged the liability of the borrower on the loans selected for consolidation.

"(5) INSURANCE PREMIUMS PROHIBITED.—No insurance premium shall be charged to the borrower on any consolidation loan, and no insurance premium shall be payable by the lender to the Secretary with respect to any such loan.

"(d) TERMINATION OF AUTHORITY.—The authority to make loans under this section expires at the close of September 30, 1992. Nothing in this section shall be construed to authorize the Secretary to promulgate rules or regulations governing the terms or conditions of the agreements and certificates under subsection (b). Loans made under this section which are insured by the Secretary shall be considered to be new loans made to students for the purpose of section 424(a).

"COMMINGLING OF FUNDS

"SEC. 428D. Notwithstanding any other provision of this part regarding permissible uses of funds from any source, funds received by a guaranty agency under any provision of this part may be commingled with funds received under any other provision of this part and may be used to carry out the purposes of such other provision, except that—

"(1) the total amount expended for the purposes of such other provision shall not exceed the amount the guaranty agency would otherwise be authorized to expend; and

"(2) the authority to commingle such funds shall not relieve such agency of any accounting or auditing obligations under this part.

"STATE GARNISHMENT LAW REQUIREMENTS

"SEC. 428E. (a) REQUIREMENTS FOR ADDITIONAL COST PAYMENTS.—A garnishment law complies with the requirements of this section if such law—

"(1) provides that the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a greater percentage may be deducted upon the written consent of the individual involved;

"(2) provides the individual with a minimum of 30 days written notice, informing such individual of the nature and amount of the indebtedness determined by such agency to be due, the intention of the agency to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under such law;

"(3) provides the individual with an opportunity to inspect and copy records relating to the debts;

"(4) provides the individual with an opportunity to enter into a written agreement with the agency, under terms agreeable to the head of the agency or his designee, to establish a schedule for the repayment of the debt;

"(5) provides the individual with an opportunity for a hearing in accordance with subsection (b) on the determination of the agency concerning the existence or the amount of the debt, and in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to paragraph (4), concerning the terms of the repayment schedule, but does not permit additional administrative or judicial procedures that would delay collection of the debt (such as reduction of the debt to a judgment);

"(6) provides that the employer will be held liable to the agency for any amount which such employer fails to withhold from wages due an employee following receipt by such employer of proper notice under paragraph (2), but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this paragraph; and

"(7) provides for the imposition of a fine against any employer who discharges from employment, refuses to employ, or takes disciplinary action against any individual subject to wage withholding required by this section because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer.

"(b) HEARING REQUIREMENTS.—A hearing described in subsection (a)(5) shall be provided if the individual, on or before the 15th day following receipt of the notice described in subsection (a)(2), and in accordance with such procedures as the head of the agency may prescribe, files a petition requesting such a hearing. The timely filing of a petition for hearing shall stay the commencement of collection proceedings. A hearing under subsection (a)(5) may not be conducted by an individual under the supervision or control of the head of the agency, except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.

"(c) NOTICE REQUIREMENTS.—The notice given to the employer pursuant to subsection (a)(2) shall contain only such information as may be necessary for the employer to comply with the withholding order.

"(d) DEFINITION.—For the purpose of this section, the term 'disposable pay' means that part of pay of any individual remaining after the deduction of any amounts required by law to be withheld.

"REHABILITATION OF DEFAULTED LOANS

"SEC. 428F. (a) AUTHORITY TO ESTABLISH PILOT PROGRAM.—The Secretary shall, in accordance with the requirements of this section, establish a pilot program to test the feasibility of rehabilitating defaulted loans under this part. Such pilot program shall be commenced within 3 months after the date of enactment of this section and shall be completed not later than 3 years after such date. The Secretary shall submit a report on the results of such pilot program within 3 months after its completion.

"(b) ELIGIBILITY FOR PILOT PROGRAM.—The loans which shall be eligible for rehabilitation under this section shall be only those

loans which are made to borrowers who, at the time of default on the loan, are unemployed or institutionalized.

"(c) METHOD OF REHABILITATION.—

"(1) SALE OF LOAN PURSUANT TO AGREEMENT.—Upon securing consecutive payments for 12 months of amounts owed on a loan for which the Secretary has made a payment under section 428(c)(1), the guaranty agency (pursuant to an agreement with the Secretary) or the Secretary shall, if practicable, sell the rehabilitated loan to an eligible lender, other than an eligible lender who has been found by the guaranty agency or the Secretary to have substantially failed to exercise the due diligence required of lenders under this part.

"(2) TERMS OF AGREEMENT.—Such agreement between the guaranty agency and the Secretary shall provide—

"(A) for the repayment by the agency to the Secretary of 81.5 percent of the amount of the principal balance outstanding at the time of such sale multiplied by a percentage amount equal to the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and

"(B) for the reinstatement by the Secretary (I) of the obligation to reimburse such agency for the amount expended by it in discharge of its insurance obligation under its loan insurance program, and (II) of the obligation to pay to the holder of the rehabilitated loan a special allowance pursuant to section 438.

"(3) PROCEEDS OF SALES OFFSET AGAINST DEFAULT CLAIMS.—Amounts received by the Secretary pursuant to the sale of rehabilitated loans by a guaranty agency under this paragraph shall be deducted from the calculations of the amount of claims for reimbursement filed by the agency under section 428(c)(1) for the fiscal year in which the amount was received, notwithstanding the fact that the default occurred in a prior fiscal year.

"(4) EFFECT OF REHABILITATION ON BORROWER ELIGIBILITY.—Any borrower whose loan is rehabilitated under this subsection shall not be precluded by section 484 from receiving additional assistance under this title (for which he or she is otherwise eligible) on the basis of defaulting on the loan prior to rehabilitation.

"(5) APPLICABILITY OF OTHER TERMS, CONDITIONS, AND BENEFITS.—A loan which is rehabilitated under this paragraph shall be subject to the same terms and conditions and qualify for the same benefits and privileges as other loans made under this part.

"CERTIFICATE OF FEDERAL LOAN INSURANCE—EFFECTIVE DATE OF INSURANCE

"SEC. 429. (a) LOAN-BY-LOAN INSURANCE.—

"(1) AUTHORITY TO ISSUE CERTIFICATES ON APPLICATION.—If, upon application by an eligible lender, made upon such form, containing such information, and supported by such evidence as the Secretary may require, and otherwise in conformity with *this section, the Secretary finds that the applicant has made a loan to an eligible student which is insurable under the provisions of this part, he may issue to the applicant a certificate of insurance covering the loan and setting forth the amount and terms of the insurance.*

"(2) EFFECTIVENESS OF CERTIFICATE.—Insurance evidenced by a certificate of insurance pursuant to subsection (a)(1) shall become effective upon the date of issuance of the certificate, except that the Secretary is authorized, in accordance with regulations, to issue commitments with respect to proposed loans, or with respect to lines (or proposed lines) of credit, submitted by eligible lenders, and in that event, upon compliance with subsection (a)(1) by the lender, the certificate of insurance may be issued effective as of the date when any loan, or any payment by the lender pursuant to a line of credit, to be covered by such insurance was made. Such insurance shall cease to be effective upon 60 days' default by the lender in the payment of any installment of the premiums payable pursuant to subsection (c).

"(3) CONTENTS OF APPLICATIONS.—An application submitted pursuant to subsection (a)(1) shall contain (A) an agreement by the applicant to pay, in accordance with regulations, the premiums fixed by the Secretary pursuant to subsection (c), and (B) an agreement by the applicant that if the loan is covered by insurance the applicant will submit such supplementary reports and statement during the effective period of the loan agreement, upon such forms, at such times, and containing such information as the Secretary may prescribe by or pursuant to regulation.

"(b) COMPREHENSIVE INSURANCE COVERAGE CERTIFICATE.—

"(1) ESTABLISHMENT OF SYSTEM BY REGULATION.—In lieu of requiring a separate insurance application and issuing a separate certificate of insurance for each student loan made by an eligible lender as provided in subsection (a), the Secretary may, in accordance with regulations consistent with section 432, issue to any eligible lender applying therefor a certificate of comprehensive insurance coverage which shall, without further action by the Secretary, insure all insurable loans made by that lender, on or after the date of the certificate and before a specified cutoff date, within the limits of an aggregate maximum amount stated in the certificate. Such regulations may provide for conditioning such insurance, with respect to any loan, upon compliance by the lender with such requirements (to be stated or incorporated by reference in the certificate) as in the Secretary's judgment will best achieve the purpose of this subsection while protecting the United States from the risk of unreasonable loss and promoting the objectives of this part, including (but not limited to) provisions as to the reporting of such loans and information relevant thereto to the Secretary and as to the payment of initial and other premiums and the effect of default therein, and including provision for confirmation by the Secretary from time to time (through endorsement of the certificate) of the coverage of specific new loans by such certificate, which confirmation shall be incontestable by the Secretary in the absence of fraud or misrepresentation of fact or patent error.

"(2) Uncovered loans.—If the holder of a certificate of comprehensive insurance coverage issued under this subsection grants to a student a line of credit extending beyond the cutoff date specified in that certificate, loans or payments thereon made by the holder after that date pursuant to the line of credit shall not be deemed to be included in the coverage of that certificate except as may be specifically provided therein; but, subject to the limitations of section 424, the Secretary may, in accordance with regulations, make commitments to insure such future loans or payments, and such commitments may be honored either as provided in subsection (a) or by inclusion of such insurance on comprehensive coverage under the subsection for the period or periods in which such future loans or payments are made.

"(c) Charges for Federal Insurance.—The Secretary shall, pursuant to regulations, charge for insurance on each loan under this part a premium in an amount not to exceed one-fourth of 1 percent per year of the unpaid principal amount of such loan (excluding interest added to principal), payable in advance, at such times and in such manner as may be prescribed by the Secretary. Such regulations may provide that such premium shall not be payable, or if paid shall be refundable, with respect to any period after default in the payment of principal or interest or after the borrower has died or becomes totally and permanently disabled, if (1) notice of such default or other event has been duly given, and (2) requests for payment of the loss insured against has been made or the Secretary has made such payment on his own motion pursuant to section 430(a).

"(d) Assignability of Insurance.—The rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section may be assigned as security by such lender only to another eligible lender, and subject to regulation by the Secretary.

"(e) Consolidation Not To Affect Insurance.—The consolidation of the obligations of two or more federally insured loans obtained by a student borrower in any fiscal year into a single obligation evidenced by a single instrument of indebtedness shall not affect the insurance by the United States. If the loans thus consolidated are covered by separate certificates of insurance issued under subsection (a), the Secretary may upon surrender of the original certificates issue a new certificate of insurance in accordance with that subsection upon the consolidated obligation; if they are covered by a single comprehensive certificate issued under subsection (b), the Secretary may amend that certificate accordingly.

"DEFAULT OF STUDENT UNDER FEDERAL LOAN INSURANCE PROGRAM

"Sec. 430. (a) Notice to Secretary and Payment of Loss.—Upon default by the student borrower on any loan covered by Federal loan insurance pursuant to this part, and prior to the commencement of suit or other enforcement proceedings upon security for that loan, the insurance beneficiary shall promptly notify the Secretary, and the Secretary shall if requested (at that time or after further collection efforts) by the beneficiary, or may on the Secretary's own motion, if the insurance is still in effect, pay to the beneficiary the

amount of the loss sustained by the insured upon that loan as soon as that amount had been determined. The 'amount of the loss' on any loan shall, for the purposes of this subsection and subsection (b), be deemed to be an amount equal to the unpaid balance of the principal amount and accrued interest, including interest accruing from the date of submission of a valid default claim (as determined by the Secretary) to the date on which payment is authorized by the Secretary, reduced to the extent required by section 425(b). Such beneficiary shall be required to meet the standards of due diligence in the collection of the loan and shall be required to submit proof that reasonable attempts were made to locate the borrower (when the location of the borrower is unknown) and proof that contact was made with the borrower (when the location is known). The Secretary shall make the determination required to carry out the provisions of this section not later than 90 days after the notification by the insurance beneficiary and shall make payment in full on the amount of the beneficiary's loss pending completion of the due diligence investigation.

"(b) Effect of Payment of Loss.—Upon payment of the amount of the loss pursuant to subsection (a), the United States shall be subrogated for all of the rights of the holder of the obligation upon the insured loan and shall be entitled to an assignment of the note or other evidence of the insured loan by the insurance beneficiary. If the net recovery made by the Secretary on a loan after deduction of the cost of that recovery (including reasonable administrative costs and collection costs, to the extent set forth in regulations issued by the Secretary) exceeds the amount of the loss, the excess shall be paid over to the insured. The Secretary may, in attempting to make recovery on such loans, contract with private business concerns, State student loan insurance agencies, or State guaranty agencies, for payment for services rendered by such concerns or agencies in assisting the Secretary in making such recovery. Any contract under this subsection entered into by the Secretary shall provide that attempts to make recovery on such loans shall be fair and reasonable, and do not involve harassment, intimidation, false or misleading representations, or unnecessary communications concerning the existence of any such loan to persons other than the student borrower.

"(c) Forbearance Not Precluded.—Nothing in this section or in this part shall be construed to preclude any forbearance for the benefit of the student borrower which may be agreed upon by the parties to the insured loan and approved by the Secretary, or to preclude forbearance by the Secretary in the enforcement of the insured obligation after payment on that insurance. Any forbearance which is approved by the Secretary under this subsection with respect to the repayment of a loan, including a forbearance during default, shall not be considered as indicating that a holder of a federally insured loan has failed to exercise reasonable care and due diligence in the collection of the loan.

"(d) Care and Diligence Required of Holders.—Nothing in this section or in this part shall be construed to excuse the holder of a federally insured loan from exercising reasonable care and diligence in the making and collection of loans under the provisions of this part. If the Secretary, after a reasonable notice and opportunity for hearing to an eligible lender, finds that it has substantially

failed to exercise such care and diligence or to make the reports and statements required under section 428(a)(4) and section 429(a)(3), or to pay the required Federal loan insurance premiums, the Secretary shall disqualify that lender for further Federal insurance on loans granted pursuant to this part until the Secretary is satisfied that its failure has ceased and finds that there is reasonable assurance that the lender will in the future exercise necessary care and diligence or comply with such requirements, as the case may be.

"REPORTS TO CREDIT BUREAUS AND INSTITUTIONS OF HIGHER EDUCATION

"SEC. 430. (a) AGREEMENTS TO EXCHANGE INFORMATION.—For the purpose of promoting responsible repayment of loans covered by Federal loan insurance pursuant to this part or covered by a guaranty agreement pursuant to section 428, the Secretary, each guaranty agency, eligible lender, and subsequent holder shall enter into agreements with credit bureau organizations to exchange information concerning student borrowers, in accordance with the requirements of this section. For the purpose of assisting such organizations in complying with the Fair Credit Reporting Act, such agreements may provide for timely response by the Secretary (concerning loans covered by Federal loan insurance), by a guaranty agency, eligible lender, or subsequent holder (concerning loans covered by a guaranty agreement), or to requests from such organizations for responses to objections raised by borrowers. Subject to the requirements of subsection (c), such agreements shall require the Secretary, the guaranty agency, eligible lender, or subsequent holder, as appropriate, to disclose to such organizations, with respect to any loan under this part that has not been repaid by the borrower—

"(1) the total amount of loans made to any borrower under this part and the remaining balance of the loans;

"(2) information concerning the date of any default on the loan and the collection of the loan, including information concerning the repayment status of any defaulted loan on which the Secretary has made a payment pursuant to section 430(a) or the guaranty agency has made a payment to the previous holder of the loan; and

"(3) the date of cancellation of the note upon completion of repayment by the borrower of the loan or payment by the Secretary pursuant to section 437.

"(b) ADDITIONAL INFORMATION.—Such agreements may also provide for the disclosure by such organizations to the Secretary or a guaranty agency, whichever insures or guarantees a loan, upon receipt of a notice under subsection (a)(2) that such a loan is in default, of information concerning the borrower's location or other information which may assist the Secretary, the guaranty agency, the eligible lender, or the subsequent holder in collecting the loan.

"(c) CONTENTS OF AGREEMENTS.—Agreements entered into pursuant to this section shall contain such provisions as may be necessary to ensure that—

"(1) no information is disclosed by the Secretary or the guaranty agency, eligible lender, or subsequent holder unless its accuracy and completeness have been verified and the Secretary or

the guaranty agency has determined that disclosure would accomplish the purpose of this section;

"(2) as to any information so disclosed, such organizations will be promptly notified of, and will promptly record, any change submitted by the Secretary, the guaranty agency, eligible lender, or subsequent holder with respect to such information, or any objections by the borrower with respect to any such information, as required by section 611 of the Fair Credit Reporting Act (15 U.S.C. 1681i);

"(3) no use will be made of any such information which would result in the use of collection practices with respect to such a borrower that are not fair and reasonable or that involve harassment, intimidation, false or misleading representations, or unnecessary communication concerning the existence of such loan or concerning any such information; and

"(4) with regard to notices of default under subsection (a)(2) of this section, except for disclosures made to obtain the borrower's location, the Secretary, or the guaranty agency, eligible lender, or subsequent holder whichever is applicable (A) shall not disclose any such information until the borrower has been notified that such information will be disclosed to credit bureau organizations unless the borrower enters into repayment of his or her loan, but (B) shall, if the borrower has not entered into repayment within a reasonable period of time, but not less than 30 days, from the date such notice has been sent to the borrower, disclose the information required by this subsection.

"(d) CONTRACTOR STATUS OF PARTICIPANTS.—A guaranty agency, eligible lender, or subsequent holder or credit bureau organization which discloses or receives information under this section shall not be considered a Government contractor within the meaning of section 552a of title 5, United States Code.

"(e) DISCLOSURE TO INSTITUTIONS.—The Secretary and each guaranty agency, eligible lender, and subsequent holder of a loan are authorized to disclose information described in subsections (a) and (b) concerning student borrowers to the eligible institutions such borrowers attend or previously attended.

"(f) DURATION OF AUTHORITY.—Notwithstanding paragraphs (4) and (6) of subsection (a) of section 605 of the Fair Credit Reporting Act (15 U.S.C. 1681c (a)(4), (a)(6)), a consumer reporting agency may make a report containing information received from the Secretary or a guaranty agency, eligible lender, or subsequent holder regarding the status of a borrower's defaulted account on a loan guaranteed under this part until—

"(1) 7 years from the date on which the Secretary or the agency paid a claim to the holder on the guaranty, or

"(2) with regard to an account on a loan on which the Secretary or the guaranty agency has paid a claim but not reported the account to a consumer reporting agency on or before October 1, 1985, 7 years from that date.

"INSURANCE FUND

"SEC. 431. (a) ESTABLISHMENT.—There is hereby established a student loan insurance fund (hereinafter in this section called the

'fund') which shall be available without fiscal year limitation to the Secretary for making payments in connection with the default of loans insured by the Secretary under this part, or in connection with payments under a guaranty agreement under section 428(c). All amounts received by the Secretary as premium charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Secretary in connection with operations under this part, any excess advances under section 422(c)(4)(C), and any other moneys, property, or assets derived by the Secretary from operations in connection with this section, shall be deposited in the fund. All payments in connection with the default of loans insured by the Secretary under this part, or in connection with such guaranty agreements shall be paid from the fund. Moneys in the fund not needed for current operations under this section may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

"(b) Borrowing Authority.—If at any time the moneys in the fund are insufficient to make payments in connection with the default of any loan insured by the Secretary under this part, or in connection with any guaranty agreement made under section 428(c), the Secretary is authorized, to the extent provided in advance by appropriations Acts, to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under the subsection shall be deposited in the fund and redemption of such notes and obligations shall be made by the Secretary from such fund.

"LEGAL POWERS AND RESPONSIBILITIES

"Sec. 432. (a) General Powers.—In the performance of, and with respect to, the functions, powers, and duties, vested in him by this part, the Secretary may—

"(1) prescribe such regulations as may be necessary to carry out the purposes of this part;

"(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United

States, and such district courts shall have jurisdiction of civil actions arising under this part without regard to the amount in controversy, and action instituted under this subsection by or against the Secretary shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in that office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or property under the Secretary's control and nothing herein shall be construed to except litigation arising out of activities under this part from the application of sections 509, 517, 547, and 2679 of title 28 of the United States Code;

"(3) include in any contract for Federal loan insurance such terms, conditions, and covenants relating to repayment of principal and payment of interest, relating to the Secretary's obligations and rights to those of eligible lenders, and borrowers in case of default, and relating to such other matters as the Secretary determines to be necessary to assure that the purposes of this part will be achieved; and any term, condition, and covenant made pursuant to this paragraph or pursuant to any other provision of this part may be modified by the Secretary, after notice and opportunity for a hearing on the record, if the Secretary finds that the modification is necessary to protect the United States from the risk of unreasonable loss;

"(4) subject to the specific limitations in this part, consent to modification, with respect to rate of interest, time of payment of any installment of principal and interest or any portion thereof, or any other provision of any note or other instrument evidencing a loan which has been insured by the Secretary under this part;

"(5) enforce, pay, or compromise, any claim on, or arising because of, any such insurance or any guaranty agreement under section 428(c); and

"(6) enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption.

"(b) FINANCIAL OPERATIONS RESPONSIBILITIES.—The Secretary shall, with respect to the financial operations arising by reason of this part—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

"(2) maintain with respect to insurance under this part an integral set of accounts and prepare financial statements in accordance with generally accepted accounting principles, which shall be audited annually by the General Accounting Office in conformity with generally accepted government auditing standards except that the transactions of the Secretary, including the settlement of insurance claims and of claims for payments pursuant to section 428, and transactions related thereto and vouchers approved by the Secretary in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government.

"(c) DATA COLLECTION.—

"*(1) COLLECTION BY CATEGORY OF LOAN.—(A) For loans insured after December 31, 1976, or in the case of each insurer after such earlier date where the data required by this subsection are available, the Secretary and all other insurers under this part shall collect and accumulate all data relating to (i) loan volume insured and (ii) defaults reimbursed or default rates according to the categories of loans listed in subparagraph (B) of this paragraph.*

"*(B) The data indicated in subparagraph (A) of this paragraph shall be accumulated according to the category of lender making the loan and shall be accumulated separately for lenders who are (i) eligible institutions, (ii) State or private, nonprofit direct lenders, (iii) commercial financial institutions who are banks, savings and loan associations, or credit unions, and (iv) all other types of institutions or agencies.*

"*(C) The Secretary may designate such additional subcategories within the categories specified in subparagraph (B) of this paragraph as the Secretary deems appropriate.*

"*(D) The category or designation of a loan shall not be changed for any reason, including its purchase or acquisition by a lender of another category.*

"*(2) COLLECTION AND REPORTING REQUIREMENTS.—(A) The Secretary shall collect data under this subsection from all insurers under this part and shall publish not less often than once every fiscal year a report showing loan volume guaranteed and default data for each category specified in subparagraph (B) of paragraph (1) of this subsection and for the total of all lenders.*

"*(B) The reports specified in subparagraph (A) of this paragraph shall include a separate report for each insurer under this part including the Secretary, and where an insurer insures loans for lenders in more than one State, such insurer's report shall list all data separately for each State.*

"*(3) INSTITUTIONAL, PUBLIC, OR NONPROFIT LENDERS.—For purposes of clarity in communications, the Secretary shall separately identify loans made by the lenders referred to in clause (i) and loans made by the lenders referred to in clause (ii) of paragraph (1)(B) of this subsection.*

"*(d) DELEGATION.—*

"*(1) REGIONAL OFFICES.—The functions of the Secretary under this part listed in paragraph (2) of this subsection may be delegated to employees in the regional office of the Department.*

"*(2) DELEGABLE FUNCTIONS.—The functions which may be delegated pursuant to this subsection are—*

"*(A) reviewing applications for loan insurance under section 429 and issuing contracts for Federal loan insurance, certificates of insurance, and certificates of comprehensive insurance coverage to eligible lenders which are financial or credit institutions subject to examination and supervision by an agency of the United States or of any State;*

"*(B) receiving claims for payments under section 430(a), examining those claims, and pursuant to regulations of the Secretary, approving claims for payment, or requiring lend-*

ers to take additional collection action as a condition for payment of claims; and

"(C) certifying to the central office when collection of defaulted loans has been completed, compromising or agreeing to the modification of any Federal claim against a borrower (pursuant to regulations of the Secretary issued under section 432(a)), and recommending litigation with respect to any such claim.

"(e) USE OF INFORMATION ON BORROWERS.—Notwithstanding any other provision of law, the Secretary may provide to eligible lenders, and to any guaranty agency having a guaranty agreement under section 428(c)(1), any information with respect to the names and addresses of borrowers or other relevant information which is available to the Secretary, from whatever source such information may be derived.

"(f) AUDIT OF FINANCIAL TRANSACTIONS.—

"(1) COMPTROLLER GENERAL AND INSPECTOR GENERAL AUTHORITY.—The Comptroller General and the Inspector General of the Department of Education shall each have the authority to conduct an audit of the financial transactions of—

"(A) any guaranty agency operating under an agreement with the Secretary pursuant to section 428(b);

"(B) any eligible lender as defined in section 435(d)(1) (D), (F), or (H);

"(C) a representative sample of eligible lenders under this part, upon the request of the Committee on Education and Labor of the House of Representatives or the Committee on Labor and Human Resources of the Senate, with respect to the payment of the special allowance under section 438 in order to evaluate the program authorized by this part; and

"(D) any Authority required to file a plan for doing business under section 439(d).

"(2) ACCESS TO RECORDS.—For the purpose of carrying out this subsection, the records of any entity described in subparagraph (A), (B), (C), or (D) of paragraph (1) shall be available to the Comptroller General and the Inspector General of the Department of Education. For the purpose of section 716(c) of title 31, United States Code, such records shall be considered to be records to which the Comptroller General has access by law, and for the purpose of section 6(a)(4) of the Inspector General Act of 1978, such records shall be considered to be records necessary in the performance of functions assigned by that Act to the Inspector General.

"(3) DEFINITION OF RECORDS.—For the purpose of this subsection, the term 'record' includes any information, document, report, answer, account, paper, or other data or documentary evidence.

"(g) CIVIL PENALTIES.—

"(1) AUTHORITY TO IMPOSE PENALTIES.—Upon determination, after reasonable notice and opportunity for a hearing on the record, that a lender or a guaranty agency—

"(A) has violated or failed to carry out any provision of this part or any regulation prescribed under this part, or

"(B) has engaged in substantial misrepresentation of the nature of its financial charges,

the Secretary may impose a civil penalty upon such lender or agency of not to exceed $25,000 for each violation, failure, or misrepresentation.

"(2) Limitations.—No civil penalty may be imposed under paragraph (1) of this subsection unless it is determined that the violation, failure, or substantial misrepresentation referred to in that paragraph resulted from—

"(A)(i) a clear and consistent pattern or practice of violations, failures, or substantial misrepresentations in which the lender or guaranty agency did not maintain procedures reasonably adapted to avoid the violation, failure, or substantial representation;

"(ii) gross negligence; or

"(iii) willful actions on the part of the lender or guaranty agency; and

"(B) the violation, failure, or substantial representation is material.

"(3) Correction of failure.—A lender or guaranty agency has no liability under paragraph (1) of this subsection if, prior to the institution of an action under that paragraph, the lender or guaranty agency cures or corrects the violation or failure or notifies the person who received the substantial misrepresentation of the actual nature of the financial charges involved.

"(4) Consideration as single violation.—For the purpose of paragraph (1) of this subsection, violations, failures, or substantial misrepresentations arising from a specific practice of a lender or guaranty agency shall be deemed to be a single violation, failure, or substantial misrepresentation even if the violation, failure, or substantial misrepresentation affects more than one loan or more than one borrower, or both, and the Secretary may only impose a single civil penalty for each such violation, failure, or substantial misrepresentation.

"(5) Assignees not liable for violations by others.—If a loan affected by a violation, failure, or substantial misrepresentation is assigned to another holder, the lender or guaranty agency responsible for the violation, failure, or substantial misrepresentation shall remain liable for any civil money penalty provided for under paragraph (1) of this subsection, but the assignee shall not be liable for any such civil money penalty.

"(6) Compromise.—Until a matter is referred to the Attorney General, any civil penalty under paragraph (1) of this subsection may be compromised by the Secretary. In determining the amount of such penalty, or the amount agreed upon in compromise, the Secretary shall consider the appropriateness of the penalty to the resources of the lender or guaranty agency subject to the determination; the gravity of the violation, failure, or substantial misrepresentation; the frequency and persistence of the violation, failure, or substantial misrepresentation; and the amount of any losses resulting from the violation, failure, or substantial misrepresentation. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing by the United

States to the lender or agency charged, unless the lender or agency has, in the case of a final agency determination, commenced proceedings for judicial review within 90 days of the determination, in which case the deduction may not be made during the pendency of the proceeding.

"(h) *Authority of the Secretary To Impose and Enforce Limitations, Suspensions, and Terminations.*—

"(1) *Imposition of sanctions.—(A) If the Secretary, after a reasonable notice and opportunity for hearing to an eligible lender, finds that the eligible lender—*

"(i) *has substantially failed—*

"(I) *to exercise reasonable care and diligence in the making and collecting of loans under the provisions of this part,*

"(II) *to make the reports or statements under section 428(a)(4), or*

"(III) *to pay the required loan insurance premiums to any guaranty agency, or*

"(ii) *has engaged in—*

"(I) *fraudulent or misleading advertising or in solicitations that have resulted in the making of loans insured or guaranteed under this part to borrowers who are ineligible; or*

"(II) *the practice of making loans that violate the certification for eligibility provided in section 428,*

the Secretary shall limit, suspend, or terminate that lender from participation in the insurance programs operated by guaranty agencies under this part.

"(B) *The Secretary shall not lift any such limitation, suspension, or termination until the Secretary is satisfied that the lender's failure under subparagraph (A)(i) of this paragraph or practice under subparagraph (A)(ii) of this paragraph has ceased and finds that there are reasonable assurances that the lender will—*

"(i) *exercise the necessary care and diligence,*

"(ii) *comply with the requirements described in subparagraph (A)(i), or*

"(iii) *cease to engage in the practices described in subparagraph (A)(ii),*

as the case may be.

"(2) *Review of sanctions on lenders.—(A) The Secretary shall, in accordance with sections 556 and 557 of title 5, United States Code, review each limitation, suspension, or termination imposed by any guaranty agency pursuant to section 428(b)(1)(U) within 60 days after receipt by the Secretary of a notice from the guaranty agency of the imposition of such limitation, suspension, or termination, unless the right to such review is waived in writing by the lender. The Secretary shall disqualify such lender from participation in the student loan insurance program of each of the guaranty agencies under this part, and notify such guaranty agencies of such disqualification—*

"(i) *if such review is waived; or*

"(ii) *if such review is not waived, unless the Secretary determines that the limitation, suspension, or termination* *was not imposed in accordance with requirements of such section.*

"(B) The Secretary shall not lift any such disqualification until the Secretary is satisfied that the lender has corrected the failures which led to the limitation, suspension, or termination, and finds that there are reasonable assurances that the lender will, in the future, comply with the requirements of this part. The Secretary shall notify each guaranty agency of the lifting of any such disqualification.

"(2) Review of sanctions on eligible institutions.—(A) The Secretary shall, in accordance with sections 556 and 557 of title 5, United States Code, review each limitation, suspension, or termination imposed by any guaranty agency pursuant to section 428(b)(1)(T) within 60 days after receipt by the Secretary of a notice from the guaranty agency of the imposition of such limitation, suspension, or termination, unless the right to such review is waived in writing by the institution. The Secretary shall disqualify such institution from participation in the student loan insurance program of each of the guaranty agencies under this part, and notify such guaranty agencies of such disqualification—

"(i) if such review is waived; or

"(ii) if such review is not waived, unless the Secretary determines that the limitation, suspension, or termination was not imposed in accordance with requirements of such section.

"(B) The Secretary shall not lift any such disqualification until the Secretary is satisfied that the institution has corrected the failures which led to the limitation, suspension, or termination, and finds that there are reasonable assurances that the institution will, in the future, comply with the requirements of this part. The Secretary shall notify each guaranty agency of the lifting of any such disqualification.

"(c) Authority To Sell Defaulted Loans.—In the event that all other collection efforts have failed, the Secretary is authorized to sell defaulted student loans assigned to the United States under this part to collection agencies, eligible lenders, guaranty agencies, or other qualified purchaser on such terms as the Secretary determines are in the best financial interests of the United States. A loan may not be sold pursuant to this subsection if such loan is in repayment status.

"STUDENT LOAN INFORMATION BY ELIGIBLE LENDERS

"Sec. 433. (a) Required Disclosure Before Disbursement.—Each eligible lender shall, at or prior to the time such lender disburses a loan which is insured or guaranteed under this part, provide thorough and accurate loan information on such loan to the borrower. Any disclosure required by this subsection may be made by an eligible lender as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosure shall include—

"(1) the name of the eligible lender, and the address to which communications and payments should be sent;

"(2) the principal amount of the loan;

"(3) the amount of any charges, such as the origination fee and insurance premium, collected by the lender at or prior to the disbursal of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;

"(4) the stated interest rate on the loan;

"(5) the yearly and cumulative maximum amounts that may be borrowed;

"(6) an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;

"(7) a statement as to the minimum and maximum repayment term which the lender may impose, and the minimum annual payment required by law;

"(8) a statement of the total cumulative balance, including the loan applied for, owed by the student to that lender, the projected level of indebtedness of the student based on a 4-year college career, and an estimate of the projected monthly repayment given the level of indebtedness over a four- or 5-year college career;

"(9) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(10) a statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty, a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the basis of military service, pursuant to section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note);

"(11) a definition of default and the consequences to the borrower if the borrower defaults, including a statement that the default will be reported to a credit bureau or credit reporting agency;

"(12) to the extent practicable, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

"(13) an explanation of any cost the borrower may incur in the making or collection of the loan.

"(b) REQUIRED DISCLOSURE BEFORE REPAYMENT.—Each eligible lender shall, at or prior to the start of the repayment period of the student borrower on loans made, insured, or guaranteed under this part, disclose to the borrower the information required under this subsection. Any disclosure required by this subsection may be made by an eligible lender either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosure shall include—

"(1) the name of the eligible lender, and the address to which communications and payments should be sent;

"(2) the scheduled date upon which the repayment period is to begin;

"(3) the estimated balance owed by the borrower on the loan or loans covered by the disclosure as of the scheduled date on which the repayment period is to begin (including, if applicable, the estimated amount of interest to be capitalized);

"(4) the stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates;

"(5) the nature of any fees which may accrue or be charged to the borrower during the repayment period;

"(6) the repayment schedule for all loans covered by the disclosure including the date the first installment is due, and the number, amount, and frequency of required payments;

"(7) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan and of the availability and terms of such other options;

"(8) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule; and

"(9) a statement that the borrower has the right to prepay all or part of the loan or loans covered by the disclosure at any time without penalty.

"(c) Cost of Disclosure and Consequences of Nondisclosure.—Such information shall be available without cost to the borrower. The failure of an eligible lender to provide information as required by this section shall not (1) relieve a borrower of the obligation to repay a loan in accordance with its terms, (2) provide a basis for a claim for civil damages, or (3) be deemed to abrogate the obligation of the Secretary under a contract of insurance or reinsurance or the obligation of a guaranty agency under a contract of guaranty. Nothing in this section shall be construed as subjecting the lender to the Truth in Lending Act with regard to loans made under this part. The Secretary may limit, suspend, or terminate the continued participation of an eligible lender in making loans under this part for failure by that lender to comply with this section.

"(d) Separate Statement.—Each eligible lender shall, at the time such lender makes the first disbursement of a loan with respect to a borrower which is insured or guaranteed under this part, provide the borrower with a separate paper which summarizes (in plain English) the rights and responsibilities of the borrower with respect to the loan, including a statement of the consequences of defaulting on the loan and a statement that each borrower who defaults will be reported to a credit bureau. The requirement of this subsection shall be in addition to the information required by subsection (a) of this section.

"PARTICIPATION BY FEDERAL CREDIT UNIONS IN FEDERAL, STATE, AND PRIVATE STUDENT LOAN INSURANCE PROGRAMS

"Sec. 434. Notwithstanding any other provision of law, Federal credit unions shall, pursuant to regulations of the National Credit Union Administration, have power to make insured loans to student members in accordance with the provisions of this part relating to federally insured loans, or in accordance with the provisions of any

State or nonprofit private student loan insurance program which meets the requirements of section 428(b)(1)(B).

"DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM

"SEC. 435. As used in this part:

"(a) ELIGIBLE INSTITUTION.—

"(1) IN GENERAL.—The term 'eligible institution' means—

"(A) an institution of higher education;

"(B) a vocational school; or

"(C) with respect to students who are nationals of the United States, an institution outside the United States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Secretary for the purpose of this part,

except that such term does not include any such institution or school which employs or uses commissioned salesmen to promote the availability of any loan program described in section 428(a)(1), 428A, or 428B at that institution or school.

"(2) FOREIGN MEDICAL SCHOOLS.—For the purpose of qualifying an institution under paragraph (1)(C) of this subsection, the Secretary shall establish criteria by regulation. In the case of a graduate medical school outside the United States, such criteria shall include a requirement that a student attending a medical school is ineligible for loans made, insured, or guaranteed under this part unless at least 60 percent of the students enrolled in such school are nationals of the country in which the school is located. A school that is unable to meet that criteria may establish the eligibility of its students for such loans if the United States nationals attending such school achieve a pass rate on the examination administered by the Educational Commission for Foreign Medical Graduates that is—

"(A) not less than 25 percent for students taking such examination in the first and second years after the date of enactment of the Higher Education Amendments of 1986; and

"(B) not less than 50 percent for students taking such examination in any subsequent year.

"(b) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an educational institution in any State which—

"(1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, or who are beyond the age of compulsory school attendance;

"(2) is legally authorized within such State to provide a program of education beyond secondary education;

"(3) provides an educational program for which it awards a bachelor's degree or provides not less than a 2-year program which is acceptable for full credit toward such a degree;

"(4) is a public or other nonprofit institution; and

"(5) is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose or, if not so accredited—

"(A) is an institution with respect to which the Secretary has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time; or

"(B) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

Such term includes any school which provides not less than 1-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of paragraphs (1), (2), (4), and (5). If the Secretary determines that a particular category of such schools does not meet the requirements of paragraph (5) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, the Secretary shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (ii) determine whether particular schools not meeting the requirements of paragraph (5) meet those standards. For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which the Secretary determines to be reliable authorities as to the quality of training offered.

"(c) VOCATIONAL SCHOOL.—The term 'vocational school' means a business or trade school, or technical institution or other technical or vocational school, in any State, which—

"(1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit (as determined by the institution under section 481(d)) from the training offered by such institution;

"(2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations;

"(3) has been in existence for 2 years or has been specially accredited by the Secretary as an institution meeting the other requirements of this subsection; and

"(4) is accredited—

"(A) by a nationally recognized accrediting agency or association listed by the Secretary pursuant to this paragraph;

"(B) if the Secretary determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Secretary pursuant to this paragraph; and

"(C) if the Secretary determines there is no nationally recognized or State agency or association qualified to accredit

schools of a particular category, by an advisory committee appointed by the Secretary and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this part and shall also determine whether particular schools meet those standards.

For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations and State agencies which the Secretary determines to be reliable authority as to the quality of education or training afforded.

"(d) ELIGIBLE LENDER.—

"(1) IN GENERAL.—Except as provided in paragraphs (2) through (5), the term 'eligible lender' means—

"(A) a National or State chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a trust company, or a credit union which—

"(i) is subject to examination and supervision by an agency of the United States or of the State in which its principal place of operation is established, and

"(ii) does not have as its primary consumer credit function the making or holding of loans made to students under this part unless (I) it is a bank which is wholly owned by a State, (II) it is a single wholly owned subsidiary of a bank holding company which does not have as its primary consumer credit function the making or holding of loans made to students under this part, or (III) it is a trust company which makes student loans as a trustee pursuant to an express trust and which operated as a lender under this part prior to January 1, 1981;

"(B) a pension fund as defined in the Employee Retirement Income Security Act;

"(C) an insurance company which is subject to examination and supervision by an agency of the United States or a State;

"(D) in any State, a single agency of the State or a single nonprofit private agency designated by the State;

"(E) an eligible institution which meets the requirements of paragraphs (2) through (5) of this subsection;

"(F) for purposes only of purchasing and holding loans made by other lenders under this part, the Student Loan Marketing Association or an agency of any State functioning as a secondary market;

"(G) for purposes of making loans under sections 428A(d), 428B(d), 428C, and 439(q), the Student Loan Marketing Association;

"(H) for purposes of making loans under sections 428(h) and 428(j), a guaranty agency; and

"(I) a Rural Rehabilitation Corporation, or its successor agency, which has received Federal funds under Public Law 499, Eighty-first Congress (64 Stat. 98 (1950)).

"(2) ADDITIONAL REQUIREMENTS OF ELIGIBLE INSTITUTIONS.—To be an eligible lender under this part, an eligible institution—

"(A) shall employ at least one person whose full-time responsibilities are limited to the administration of programs of financial aid for students attending such institution; and

"(B) shall not be a home study school.

"(3) DISQUALIFICATION FOR HIGH DEFAULT RATES.—The term 'eligible lender' does not include any eligible institution in any fiscal year immediately after the fiscal year in which the Secretary determines, after notice and opportunity for a hearing, that for each of 2 consecutive years, 15 percent or more of the total amount of such loans as are described in section 428(a)(1) made by the institution with respect to students at that institution and repayable in each such year, are in default, as defined in section 435(o).

"(4) WAIVER OF DISQUALIFICATION.—Whenever the Secretary determines that—

"(A) there is reasonable possibility that an eligible institution may, within 1 year after a determination is made under paragraph (3), improve the collection of loans described in section 428(a)(1), so that the application of paragraph (3) would be a hardship to that institution, or

"(B) the termination of the lender's status under paragraph (3) would be a hardship to the present or for prospective students of the eligible institution, after considering the management of that institution, the ability of that institution to improve the collection of loans, the opportunities that institution offers to economically disadvantaged students, and other related factors,

the Secretary shall waive the provisions of paragraph (3) with respect to that institution. Any determination required under this paragraph shall be made by the Secretary prior to the termination of an eligible institution as a lender under the exception of paragraph (3). Whenever the Secretary grants a waiver pursuant to this paragraph, the Secretary shall provide technical assistance to the institution concerned in order to improve the collection rate of such loans.

"(5) DISQUALIFICATION FOR USE OF CERTAIN INCENTIVES.—The term 'eligible lender' does not include any lender that the Secretary determines, after notice and opportunity for a hearing, has after the date of enactment of this paragraph—

"(A) offered, directly or indirectly, points, premiums, payments, or other inducements, to any educational institution or individual in order to secure applicants for loans under this part;

"(B) conducted unsolicited mailings to students of student loan application forms, except to students who have previously received loans under this part from such lender;

"(C) offered, directly or indirectly, loans under this part as an inducement to a prospective borrower to purchase a policy of insurance or other product; or

"(D) engaged in fraudulent or misleading advertising.

"(e) LINE OF CREDIT.—The term 'line of credit' means an arrangement or agreement between the lender and the borrower whereby a loan is paid out by the lender to the borrower in annual installments, or whereby the lender agrees to make, in addition to the initial loan, additional loans in subsequent years.

"(f) DUE DILIGENCE.—The term 'due diligence' requires the utilization by a lender, in the servicing and collection of loans insured under this part, of collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans.

"(g) TEMPORARILY TOTALLY DISABLED.—

"(1) IN GENERAL.—The term 'temporarily totally disabled' when used with respect to a borrower means a borrower who, by reason of injury or illness, cannot be expected to be able to attend an eligible institution or to be gainfully employed during a reasonable period of recovery from such injury or illness not to exceed 3 years.

"(2) DISABLED DEPENDENT OF A BORROWER.—Such term when used with respect to the disabled dependent of a single parent borrower means a dependent who, by reason of injury or illness, cannot be expected to be able to attend school or to be gainfully employed during a period of injury or illness of not less than 3 months and who during such period requires continuous nursing or similar services.

"(3) DETERMINATIONS.—The determination that a borrower, or dependent of the borrower is temporarily totally disabled must be established by a sworn affidavit of a qualified physician.

"(h) DEFINITION OF PARENTAL LEAVE.—The term 'parental leave' means a period—

"(1) during which the borrower is pregnant, caring for his or her newborn child, or caring for his or her child immediately following the placement of the child through adoption;

"(2) during which such borrower is not in attendance at an eligible institution or gainfully employed; and

"(3) which follows, by 6 months or less, a period during which the borrower was enrolled in at least a half-time course of study at an eligible institution.

"(i) HOLDER.—The term 'holder' means an eligible lender who owns of a loan.

"(j) GUARANTY AGENCY.—The term 'guaranty agency' means any State or nonprofit private institution or organization with which the Secretary has an agreement under section 428(b).

"(k) INSURANCE BENEFICIARY.—The term 'insurance beneficiary' means the insured or its authorized representative assigned in accordance with section 429(d).

"(l) DEFAULT.—The term 'default' includes only such defaults as have existed for (1) 180 days in the case of a loan which is repayable in monthly installments, or (2) 240 days in the case of a loan which is repayable in less frequent installments.

"DISTRICT OF COLUMBIA STUDENT LOAN INSURANCE PROGRAM

"SEC. 436. (a) AUTHORITY.—The government of the District of Columbia is authorized (1) to establish a student loan insurance program which meets the requirements of this part for a State loan insurance program in order to enter into agreements with the Secretary for the purposes of this title, (2) to enter into such agreements with the Secretary, (3) to use amounts appropriated for the purposes of this section to establish a fund for such purposes and for expenses in connection therewith, and (4) to accept and use donations for the purposes of this section.

"(b) BINDING EFFECT ON MINORS.—Notwithstanding the provisions of any applicable law, if the borrower, on any loan insured under the program established pursuant to this section, is a minor, any otherwise valid vote or other written agreement executed by him for the purposes of such loan shall create a binding obligation.

"(c) APPROPRIATIONS AUTHORIZED.—There are authorized to be appropriated such amounts as may be necessary for the purposes of this section.

"REPAYMENT BY THE SECRETARY OF LOANS OF BANKRUPT, DECEASED, OR DISABLED BORROWERS

"SEC. 437. (a) REPAYMENT IN FULL.—If a student borrower who has received a loan described in subparagraph (A) or (B) of section 428(a)(1) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Secretary), then the Secretary shall discharge the borrower's liability on the loan by repaying the amount owed on the loan.

"(b) REPAYMENT OF AMOUNT DISCHARGED.—If a student borrower who has received a loan described in subparagraph (A) or (B) of section 428(a)(1) is relieved of his obligation to repay such loan, in whole or in part, through a discharge in bankruptcy, the Secretary shall repay the amount of the loan so discharged.

"SPECIAL ALLOWANCES

"SEC. 438. (a) FINDINGS.—In order to assure (1) that the limitation on interest payments or other conditions (or both) on loans made or insured under this part, do not impede or threaten to impede the carrying out of the purposes of this part or do not cause the return to holders of loans to be less than equitable, (2) that incentive payments on such loans are paid promptly to eligible lenders, and (3) that appropriate consideration of relative administrative costs and money market conditions is made in setting the quarterly rate of such payments, the Congress finds it necessary to establish an improved method for the determination of the quarterly rate of the special allowances on such loans, and to provide for a thorough, expeditious, and objective examination of alternative methods for the determination of the quarterly rate of such allowances.

"(b) COMPUTATION AND PAYMENT.—

"(1) QUARTERLY PAYMENT BASED ON UNPAID BALANCE.—A special allowance shall be paid for each of the 3-month periods ending March 31, June 30, September 30, and December 31 of every year and the amount of such allowance paid to any holder with respect to any 3-month period shall be a percentage *of the average unpaid balance of principal (not including unearned interest added to principal) of all eligible loans held by such holder during such period.*

"(2) RATE OF SPECIAL ALLOWANCE.—(A) Subject to subparagraphs (B), (C), and (D) and paragraph (4), the special allowance paid pursuant to this subsection on loans shall be computed (i) by determining the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 3-month period, (ii) by subtracting the applicable interest rate on such loans from such average, (iii) by adding 3.25 percent to the resultant percent, and (iv) by dividing the resultant percent by 4.

"(B)(i) The quarterly rate of the special allowance for holders of loans which were made or purchased with funds obtained by the holder from the issuance of obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954 shall be one-half the quarterly rate of the special allowance established under subparagraph (A), except that, in determining the rate for the purpose of this division, subparagraph (A)(iii) shall be applied by substituting '3.5 percent' for '3.25 percent'. Such rate shall also apply to holders of loans which were made or purchased with funds obtained by the holder from collections or default reimbursements on, or interests or other income pertaining to, eligible loans made or purchased with funds described in the preceding sentence of this subparagraph or from income on the investment of such funds. This subparagraph shall not apply to loans which were made or insured prior to October 1, 1980.

"(ii) The rate set under division (i) shall not be less than (I) 2.5 percent per year in the case of loans for which the applicable interest rate is 7 percent per year, (II) 1.5 percent per year in the case of loans for which the applicable interest rate is 8 percent per year, or (III) 0.5 percent in the case of loans for which the applicable rate is 9 percent per year.

"(iii) No special allowance may be paid under this subparagraph unless the issuer of such obligations complies with subsection (c) of this section.

"(C) In the case of loans made pursuant to section 428A or 428B for which the interest rate is determined under section 427A(c)(4), a special allowance shall not be paid unless the rate determined for any 12-month period under subparagraph (B) of such section exceeds 12.5 percent.

"(D)(i) In the case of loans made directly from funds loaned or advanced pursuant to a qualified State obligation, subparagraph (A)(iii) shall be applied by substituting '3.5 percent' for '3.25 percent'.

"(ii) For the purpose of division (i) of this subparagraph, the term 'qualified State obligation' means—

"(I) an obligation of the Maine Educational Loan Marketing Corporation to the Student Loan Marketing Association pursuant to an agreement entered into on January 31, 1984; or

"(II) an obligation of the South Carolina Student Loan Corporation to the South Carolina National Bank pursuant to an agreement entered into on July 20, 1984.

"(3) CONTRACTUAL RIGHT OF HOLDERS TO SPECIAL ALLOWANCE.—The holder of an eligible loan shall be deemed to have a contractual right against the United States, during the life of such loan, to receive the special allowance according to the provisions of this section. The special allowance determined for any such 3-month period shall be paid promptly after the close of such period, and without administrative delay after receipt of an accurate and complete request for payment, pursuant to procedures established by regulations promulgated under this section.

"(4) PENALTY FOR LATE PAYMENT.—(A) If payments of the special allowances payable under this section or of interest payments under section 428(a) with respect to a loan have not been made within 30 days after the Secretary has received an accurate, timely, and complete request for payment thereof, the special allowance payable to such holder shall be increased by an amount equal to the daily interest accruing on the special allowance and interest benefits payments due the holder.

"(B) Such daily interest shall be computed at the daily equivalent rate of the sum of the special allowance rate computed pursuant to paragraph (2) and the interest rate applicable to the loan and shall be paid for the later of (i) the 31st day after the receipt of such request for payment from the holder, or (ii) the 31st day after the final day of the period or periods covered by such request, and shall be paid for each succeeding day until, and including, the date on which the Secretary authorizes payment.

"(C) For purposes of reporting to the Congress the amounts of special allowances paid under this section, amounts of special allowances paid pursuant to this paragraph shall be segregated and reported separately.

"(5) DEFINITION OF ELIGIBLE LOAN.—As used in this section, the term 'eligible loan' means a loan—

"(A)(i) on which a portion of the interest is paid on behalf of the student and for the student's account to the holder of the loan under section 428(a);

"(ii) which is made under section 428A, 428B, 428C, or 428H; or

"(iii) which was made prior to October 1, 1981; and

"(B) which is insured under this part, or made under a program covered by an agreement under section 428(b) of this Act.

"(6) REGULATION OF TIME AND MANNER OF PAYMENT.—The Secretary shall pay the holder of an eligible loan, at such time or times as are specified in regulations, a special allowance prescribed pursuant to this subsection subject to the condition that such holder shall submit to the Secretary, at such time or times and in such a manner as the Secretary may deem proper, such information as may be required by regulation for the purpose of enabling the Secretary to carry out his functions under this section and to carry out the purposes of this section.

"(c) ORIGINATION FEES.—

"(1) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.—Notwithstanding subsection (b), the total amount of in-

terest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, to any holder shall be reduced by the Secretary by the amount which the lender is authorized to charge as an origination fee in accordance with paragraph (2) of this subsection. If the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, is less than the amount the lender was authorized to charge borrowers for origination fees in that quarter, the Secretary shall deduct the excess amount from the subsequent quarters' payments until the total amount has been deducted.

"(2) AMOUNT OF ORIGINATION FEES.—With respect to any loan (other than loans made under sections 428A, 428B, 428C, and 439(o)) for which a completed note or other written evidence of the loan was sent or delivered to the borrower for signing on or after 10 days after the date of enactment of the Postsecondary Student Assistance Amendments of 1981, each eligible lender under this part is authorized to charge the borrower an origination fee in an amount not to exceed 5 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payment to the borrower.

"(3) RELATION TO APPLICABLE INTEREST.—Such origination fee shall not be taken into account for purposes of determining compliance with section 427A.

"(4) DISCLOSURE REQUIRED.—The lender shall disclose to the borrower the amount and method of calculating the origination fee.

"(5) PROHIBITION ON DEPARTMENT COMPELLING ORIGINATION FEE COLLECTIONS BY LENDERS.—Nothing in this subsection shall be construed to permit the Secretary to require any lender that is making loans that are insured or guaranteed under this part, but for which no amount will be payable for interest under section 428(a)(3)(A) or for special allowances under subsection (b) of this section, to collect any origination fee or to submit the sums collected as origination fees to the United States. The Secretary shall, not later than January 1, 1987, return to any such lender any such sums collected before the enactment of this paragraph, together with interest thereon.

"(d) LENDING FROM PROCEEDS OF TAX EXEMPT OBLIGATIONS.—

"(1) PLAN FOR DOING BUSINESS REQUIRED.—In order for the holders of loans any portion of which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954, to be eligible to receive a special allowance under subsection (b)(2) of this section, the Authority shall submit to the Governor of the State, and to the guaranty agency determined by the Secretary to be the principal guaranty agency for the State, a plan for doing business. The Governor shall, after consultation with the guaranty agency, approve or disapprove the plan within 30 days of the receipt of the proposed plan from the Authority. Such plan shall also be transmitted to the Secretary within 60 days after approval.

"(2) *Contents of plan.*—*Each such plan shall contain provisions designed to assure that—*

"*(A) no eligible lender in the area served by the Authority will be excluded from participation in the program of the Authority and all eligible lenders may participate in the program on the same terms and conditions if eligible lenders are going to participate in the program;*

"*(B) no director or staff member of the Authority who receives compensation from the Authority may own stock in, or receive compensation from, any agency that would contract to service and collect the loans of the Authority;*

"*(C) student loans will not be purchased from participating lenders at a premium or discount amounting to more than 1 percent of the unpaid principal amount borrowed plus accrued interest to the date of acquisition, but a reasonable loan transfer fee may be paid by the purchaser;*

"*(D) the Authority will, within the limit of funds available and subject to the applicable State and Federal law, make loans to, or purchase loans incurred by, all eligible students who are residents of, or who attend an eligible institution within, the area served by the Authority;*

"*(E) the Authority has a plan under which the Authority will pursue the development of new lender participation in a continuing program of benefits to students together with assurances of existing lender commitments to the program; and*

"*(F) there will be an annual audit of the Authority by a certified public accounting firm which will include review of compliance by the Authority with the provisions of the plan.*

"(3) *Nondiscrimination.*—*In order for the holders of loans which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954, to be eligible to receive a special allowance under subsection (b)(2) of this section on any such loans, the Authority shall not engage in any pattern or practice which results in a denial of a borrower's access to loans under this part because of the borrower's race, sex, color, religion, national origin, age, handicapped status, income, attendance at a particular eligible institution within the area served by the Authority, length of the borrower's educational program, or the borrower's academic year in school.*

"(4) *Report by the secretary.*—*The Secretary shall, no later than September 30, 1986, and each succeeding September 30th, submit a report to the Committee on Education and Labor of the House of Representatives and the Committee on Labor and Human Resources of the Senate specifying—*

"*(A) the amount of student loan credit provided through the use of tax-exempt obligations for the most recent fiscal year;*

"*(B) an assessment of the impact of the availability of such financing on the availability of student credit in the areas served by the authorities issuing such obligations;*

"(C) an assessment of the need for additional tax-exempt financing for student credit for the next fiscal year, as evidenced by the information submitted under paragraph (1)(G) of this subsection; and

"(D) any other information determined by the Secretary to be relevant to the purposes of the report.

"(e) REGULATIONS TO PREVENT DENIAL OF LOANS TO ELIGIBLE STUDENTS.—The Secretary shall adopt or amend appropriate regulations pertaining to programs carried out under this part to prevent, where practicable, any practices which the Secretary finds have denied loans to a substantial number of eligible students.

"STUDENT LOAN MARKETING ASSOCIATION

"SEC. 439. (a) PURPOSE.—The Congress hereby declares that it is the purpose of this section (1) to establish a private corporation which will be financed by private capital and which will serve as a secondary market and warehousing facility for student loans, including loans which are insured by the Secretary under this part or by a guaranty agency, and which will provide liquidity for student loan investments; (2) in order to facilitate secured transactions involving student loans, to provide for perfection of security interests in student loans either through the taking of possession or by notice filing; and (3) to assure nationwide the establishment of adequate loan insurance programs for students, to provide for an additional program of loan insurance to be covered by agreements with the Secretary.

"(b) ESTABLISHMENT.—

"(1) IN GENERAL.—There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the 'Association'). The Association shall have succession until dissolved. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and jurisdiction in civil actions, to be a resident and citizen thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.

"(2) EXEMPTION FROM STATE AND LOCAL TAXES.—The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

"(3) APPROPRIATIONS AUTHORIZED FOR ESTABLISHMENT.—There is hereby authorized to be appropriated to the Secretary $1,000,000 for making advances for the purpose of helping to establish the Association. Such advances shall be repaid within such period as the Secretary may deem to be appropriate in light of the maturity and solvency of the Association. Such advances shall bear interest at a rate not less than (A) a rate de-

termined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining period to maturity comparable to the maturity of such advances, adjusted to the nearest one-eighth of 1 percent, plus (B) an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses. Repayments of such advances shall be deposited into miscellaneous receipts of the Treasury.

"*(c) BOARD OF DIRECTORS.—*

"*(1) BOARD MEMBERSHIP.—The Association shall have a Board of Directors which shall consist of twenty-one persons, one of whom shall be designated Chairman by the President.*

"*(2) INTERIM BOARD.—An interim Board of Directors shall be appointed by the President, one of whom he shall designate as interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of banks or other financial institutions which are insured lenders pursuant to this section, seven of whom shall be representative of educational institutions, and seven of whom shall be representative of the general public. The interim Board shall arrange for an initial offering of common and preferred stock and take whatever other actions are necessary to proceed with the operations of the Association.*

"*(3) REGULAR BOARD.—When, in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors, who shall be representative of the general public.*

"*(4) SUCCESSION OF REGULAR BOARD.—At the time the events described in paragraph (3) have occurred, the interim Board shall turn over the affairs of the Association to the regular Board so chosen or appointed.*

"*(5) TERMS OF APPOINTED AND ELECTED MEMBERS.—The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and shall serve until their successors have been elected and have qualified. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.*

"*(6) MEETINGS AND FUNCTIONS OF BOARD.—The Board of Directors shall meet at the call of its Chairman, but at least semiannually. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be* *provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.*

"(d) ACTIVITIES OF ASSOCIATION.—

"(1) IN GENERAL.—The Association is authorized, subject to the provisions of this section—

"(A) pursuant to commitments or otherwise to make advances on the security of, purchase, or repurchase, service, sell or resell, offer participations, or pooled interests or otherwise deal in, at prices and on terms and conditions determined by the Association, student loans which are insured by the Secretary under this part or by a guaranty agency;

"(B) to buy, sell, hold, underwrite, and otherwise deal in obligations, if such obligations are issued, for the purpose of making or purchasing insured loans, by a guaranty agency or by an eligible lender in a State described in section 435(d)(1)(D) or (F);

"(C) to buy, sell, hold, insure, underwrite, and otherwise deal in obligations issued for the purpose of financing or refinancing the construction, reconstruction, renovation, or purchase of educational and training facilities and housing for students and faculties (including the underlying real property) and related equipment, instrumentation, and furnishings;

"(D) to undertake a program of loan insurance pursuant to agreements with the Secretary under section 428, and except with respect to loans under subsection (e) of this section or under section 428C, the Secretary may enter into an agreement with the Association for such purpose only if the Secretary determines that (i) eligible borrowers are seeking and unable to obtain loans under this part, and (ii) no guaranty agency is capable of or willing to provide a program of loan insurance for such borrowers; and

"(E) to undertake any other activity which the Board of Directors of the Association determines to be in furtherance of the programs of insured student loans authorized under this part or will otherwise support the credit needs of students, except that—

"(i) in carrying out all such activities, the purpose shall always be to provide secondary market and other support for lending programs offered by other organizations and not to replace or compete with such other programs;

"(ii) nothing in this subparagraph (E) shall be deemed to authorize the Association to acquire, own, operate, or control any bank, savings and loan association, savings bank, or credit union; and

"(iii) not later than 30 days prior to the initial implementation of a program undertaken pursuant to this subparagraph (E), the Association shall advise the Chairman and the Ranking Member on the Committee on Human Resources of the Senate and the Chairman

and the Ranking Member of the Committee on Education and Labor of the House of Representatives in writing of its plans to offer such program and shall provide information relating to the general terms and conditions of such program.

The Association is further authorized to undertake any activity with regard to student loans which are not insured or guaranteed as provided for in this subsection as it may undertake with regard to insured or guaranteed student loans. Any warehousing advance made on the security of such loans shall be subject to the provisions of paragraph (3) of this subsection to the same extent as a warehousing advance made on the security of insured loans.

(3) Requirements; [illegible].—Any warehousing advance made under paragraph (1)(A) of this subsection shall be made on the security of (A) insured loans, (B) marketable obligations and securities issued, guaranteed, or insured by the United States, or for which the full faith and credit of the United States is pledged for the repayment of principal and interest thereof, or (C) marketable obligations issued, guaranteed, or insured by any agency, instrumentality, or corporation of the United States for which the credit of such agency, instrumentality, or corporation is pledged for the repayment of principal and interest thereof, in an amount equal to the amount of such advance. The proceeds of any such advance secured by insured loans shall either be invested in additional insured loans or the lender shall provide assurances to the Association that during the period of the borrowing it will maintain a level of insured loans in its portfolio not less than the aggregate outstanding balance of such loans held at the time of the borrowing. The proceeds from any such advance secured by collateral described in clauses (B) and (C) shall be invested in additional insured student loans.

(4) Perfection of security interests in student loans.—Notwithstanding the provisions of any State law to the contrary, including the Uniform Commercial Code as in effect in any State, a security interest in insured student loans created on behalf of the Association or any eligible lender as defined in section [illegible] may be perfected either through the taking of possession of such loans or by the filing of notice of such security interest in such loans in the manner provided by such State law for the perfection of security interests in accounts.

(5) Form of securities.—Securities issued pursuant to the offering of participations or pooled interests under paragraph (1) of this subsection may be in the form of debt obligations, or trust certificates of beneficial ownership, or both. Student loans set aside pursuant to the offering of participations or pooled interests shall at all times be adequate to assure the timely principal and interest payments on such securities.

(6) [illegible].—Not less than 75 percent of the aggregate dollar amount of obligations bought with funds [illegible] and otherwise supported in accordance with the authority contained in paragraph (1)(A) shall be obligations which are issued by a [illegible]

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to the Association, it shall be transferred only on the books of the Association.

"(2) RIGHTS OF PREFERRED STOCK.—The holders of the preferred shares shall be entitled to such rate of cumulative dividends and such shares shall be subject to such redemption or other conversion provisions as may be provided for at the time of issuance. No dividends shall be payable on any share of common stock at any time when any dividend is due on any share of preferred stock and has not been paid.

"(3) PREFERENCE ON TERMINATION OF BUSINESS.—In the event of any liquidation, dissolution, or winding up of the Association's business, the holders of the preferred shares shall be paid in full at par value thereof, plus all accrued dividends, before the holders of the common shares receive any payment.

"(h) DEBT OBLIGATIONS.—

"(1) APPROVAL BY SECRETARIES OF EDUCATION AND THE TREASURY.—The Association is authorized with the approval of the Secretary of Education and the Secretary of the Treasury to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association. The authority of the Secretary of Education to approve the issuance of such obligations is limited to obligations issued by the Association and guaranteed by the Secretary pursuant to paragraph (2) of this subsection. Such obligations may be redeemable at the option of the Association before maturity in such manner as may be stipulated therein. The Secretary of the Treasury may not direct as a condition of his approval that any such issuance of obligations by the Association be made or sold to the Federal Financing Bank. To the extent that the average outstanding amount of the obligations owned by the Association pursuant to the authority contained in subsection (d)(1) (B) and (C) of this section and as to which the income is exempt from taxation under the Internal Revenue Code of 1954 does not exceed the average stockholders' equity of the Association, the interest on obligations issued under this paragraph shall not be deemed to be interest on indebtedness incurred or continued to purchase or carry obligations for the purpose of section 265 of the Internal Revenue Code of 1954.

"(2) GUARANTEE OF DEBT.—The Secretary is authorized, prior to October 1, 1984, to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary of the Treasury. Nothing in this section shall be construed so as to authorize the Secretary of Education or the Secretary of the Treasury to limit, control, or constrain programs of the Association or support of the Guaranteed Student Loan Program by the Association.

"(3) BORROWING AUTHORITY TO MEET GUARANTEE OBLIGATIONS.—To enable the Secretary to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such

notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the months preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There is authorized to be appropriated to the Secretary such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"(4) ACTION ON REQUEST FOR GUARANTEES.—Upon receipt of a request from the Association under this subsection requiring approvals by the Secretary of Education or the Secretary of the Treasury, the Secretary of Education or the Secretary of the Treasury shall act promptly either to grant approval or to advise the Association of the reasons for withholding approval. In no case shall such an approval be withheld for a period longer than 60 days unless, prior to the end of such period, the Secretary of Education and the Secretary of the Treasury submit to the Congress a detailed explanation of reasons for doing so.

"(5) AUTHORITY OF TREASURY TO PURCHASE DEBT.—The Secretary of the Treasury is authorized to purchase any obligations issued by the Association pursuant to this subsection as now or hereafter in force, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force are extended to include such purchases. The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if such purchase would increase the aggregate principal amount of his then outstanding holdings of such obligations under this subsection to an amount greater than $1,000,000,000. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the making of such purchase. The Secretary of the Treasury may, at any time, sell, upon such terms and conditions and at such price or

prices as he shall determine, any of the obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

"(6) SALE OF DEBT TO FEDERAL FINANCING BANK.—Notwithstanding any other provision of law the Association is authorized to sell or issue obligations on the security of student loans, the payment of interest or principal of which has at any time been guaranteed under section 428 or 429 of this part, to the Federal Financing Bank.

"(i) GENERAL CORPORATE POWERS.—The Association shall have power—

"(1) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(2) to adopt, alter, and use the corporate seal, which shall be judicially noticed;

"(3) to adopt, amend, and repeal by its Board of Directors, bylaws, rules, and regulations as may be necessary for the conduct of its business;

"(4) to conduct its business, carry on its operations, and have officers and exercise the power granted by this section in any State without regard to any qualification or similar statute in any State;

"(5) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

"(6) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(7) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(8) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, require bonds for them, and fix the penalty thereof; and

"(9) to enter into contracts, to execute instruments, to incur liabilities, and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"(j) ACCOUNTING, AUDITING, AND REPORTING.—The accounts of the Association shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants or by independent licensed public accountants, licensed on or before December 31, 1970, who are certified or licensed by a regulatory authority of a State or other political subdivision of the United States, except that independent public accountants licensed to practice by such regulatory authority after December 31, 1970, and persons who, although not so certified or licensed, meet, in the opinion of the Secretary, standards of education and experience representative of the highest standards prescribed by the licensing authorities of the several States which provide for the continuing licensing of public accountants and which are prescribed by the Secretary in appropriate regulations may per-

form such audits until December 31, 1973. A report of each such audit shall be furnished to the Secretary of the Treasury. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the Secretary shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Association and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians.

"(k) REPORT ON AUDITS BY TREASURY.—A report of each such audit for a fiscal year shall be made by the Secretary of the Treasury to the President and to the Congress not later than 6 months following the close of such fiscal year. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the President and the Congress informed of the operations and financial condition of the Association, together with such recommendations with respect thereto as the Secretary may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary, and to the Association.

"(l) LAWFUL INVESTMENT INSTRUMENTS; EFFECT OF AND EXEMPTIONS FROM OTHER LAWS.—All obligations issued by the Association including those made under subsection (d)(3) shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this section shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States. The Association shall, for the purposes of section 14(b)(2) of the Federal Reserve Act, be deemed to be an agency of the United States. The obligations of the Association shall be deemed to be obligations of the United States for the purpose of section 3124 of title 31, United States Code. For the purpose of the distribution of its property pursuant to section 726 of title 11, United States Code, the Association shall be deemed a person within the meaning of such title. The priority established in favor of the United States by section 3713 of title 31, United States Code, shall not establish a priority over the indebtedness of the Association issued or incurred on or before September 30, 1992. The Federal Reserve Banks are authorized to act as depositaries, custodians, or fiscal agents, or a combination thereof, for the Association in the general performance of its powers under this section.

"(m) PREPARATION OF OBLIGATIONS.—In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Association. The

engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations. The Secretary of the Treasury is authorized to promulgate regulations on behalf of the Association so that the Association may utilize the book-entry system of the Federal Reserve Banks.

"(n) REPORT ON OPERATIONS AND ACTIVITIES.—The Association shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year.

"(o) LOAN CONSOLIDATIONS.—

"(1) IN GENERAL.—The Association or its designated agent may, upon request of a borrower, consolidate loans received under this title in accordance with section 428C.

"(2) USE OF GUARANTY AGENCIES AS AGENT.—The Association in making loans pursuant to this subsection in any State served by a guaranty agency or an eligible lender in a State described in section 435(d)(1)(D) or (F) may designate as its agent such agency or lender to perform such functions as the Association determines appropriate. Any agreements made pursuant to this subparagraph shall be on such terms and conditions as agreed upon by the Association and such agency or lender.

"(p) ADVANCES FOR DIRECT LOANS BY GUARANTY AGENCIES.—

"(1) IN GENERAL.—The Association shall make advances in each fiscal year from amounts available to it to each guaranty agency and eligible lender described in subsection 435(d)(1) which has an agreement with the Association which sets forth that advances are necessary to enable such agency or lender to make student loans in accordance with section 428(k) and that such advances will be repaid to the Association in accordance with such terms and conditions as may be set forth in the agreement and agreed to by the Association and such agency or lender. Advances made under this subsection shall not be subject to subsection (d)(2) of this section.

"(2) LIMITATION.—No advance may be made under this subsection unless the guaranty agency or lender makes an application to the Association, which shall be accompanied by such information as the Association determines to be reasonably necessary.

"(q) LENDER OF LAST RESORT.—

"(1) ACTION AT REQUEST OF SECRETARY.—(A) Whenever the Secretary determines that eligible borrowers in a State not served by a guaranty agency or an eligible lender in a State described in section 435(d)(1)(D) or (F) are seeking and are unable to obtain loans under this part, the Association or its designated agent may begin making loans in accordance with this subsection at the request of the Secretary. The Association shall give preference to such States in making loans under this subsection.

"(B) Loans made pursuant to this subsection shall be insurable by the Secretary under section 429 with a certificate of

comprehensive insurance coverage provided for under section 428(b)(1);

"(2) INSURANCE AND COVERAGE OF LOANS.—(A) Whenever the Secretary, after consultation with, and with the agreement of, representatives of the guaranty agency in a State, or an eligible lender in a State described in section 435(d)(1)(D), determines that a substantial portion of eligible borrowers in such State or within an area of such State are seeking and are unable to obtain loans under this part, the Association or its designated agent may begin making loans in accordance with this subsection at the request of the Secretary.

"(B) Loans made pursuant to this subsection shall be insurable by the agency identified in subparagraph (A) having an agreement pursuant to section 428(b). For loans insured by such agency, the agency shall provide the Association with a certificate of comprehensive insurance coverage, if the Association and the agency have mutually agreed upon a means to determine that the agency has not already guaranteed a loan under this part to a student which would cause a subsequent loan made by the Association to be in violation of any provision under this part.

"(3) TERMINATION OF LENDING.—The Association or its designated agent shall cease making loans under this part in any State at such time as it is determined by the Secretary, with regard to loans made under paragraph (1), or by any party to the agreement required by paragraph (2), that—

"(A) the conditions which caused the implementation of this subsection have ceased to exist; or

"(B) the implementation of this subsection has either (i) further reduced the availability of loans from other sources in the applicable geographical area, or (ii) inhibited the formation in a State of an agency which would have an agreement pursuant to section 428(b) of this part which would have the responsibility of developing local sources of funds for student loans."

(c) EFFECTIVE DATES.—The changes made in part B of title IV of the Act by the amendments made by subsection (a) of this section shall take effect on the date of enactment of this Act, except—

(1) as otherwise provided in such part B;

(2) the changes in sections 427(a)(2)(C) and 428(b)(1)(M) of the Act shall apply only to loans made to cover the costs of instruction for periods of enrollment beginning on or after July 1, 1987, to individuals who are new borrowers on that date;

(3) the changes made in sections 427(a), 428(b)(1)(L), and 428(b)(1)(M) of the Act shall apply with respect only to loans made to cover the costs of instruction for periods of enrollment beginning on or after January 1, 1987;

(4) the changes made in subsections (c), (h), and (d) of section 427 of the Act shall apply with respect only to loans made to cover the costs of instruction for periods of enrollment beginning on or after January 1, 1987;

(5) the changes in section 428(b)(1)(M) shall apply with respect only to loans for which the borrower files an application on or after July 1, 1987.

(6) the changes in sections [illegible] and [illegible] of the Act shall take effect 30 days after the date of enactment of this Act; and

(7) the changes made in section [illegible] shall take effect with respect to loans made to cover the costs of instruction for periods of enrollment beginning on or after 30 days after the date of enactment of this Act.

(c) Changes Effective Without Regard to Regulations; Promulgation of Regulations.—The changes made in part B of title IV of the Act by the amendments made by subsection (a) of this section shall be effective in accordance with subsection (b) of this section without regard to whether such changes are reflected in the regulations prescribed by the Secretary of Education for the purpose of such part.

(d) New Borrowers.—For the purpose of this section, the term "new borrower" means, with respect to any date, an individual who on that date has no outstanding balance of principal or interest owing on any loan made, insured, or guaranteed under part B of title IV of the Act.

SEC. [illegible]. WORK-STUDY REAUTHORIZATION.

(a) Amendment.—Part C of title IV of the Act is amended to read as follows:

"Part C—Work-Study Programs

"PURPOSE; APPROPRIATIONS AUTHORIZED

"Sec. 441. (a) Purpose.—The purpose of this part is to stimulate and promote the part-time employment of students who are enrolled as undergraduate, graduate, or professional students and who are in need of earnings from employment to pursue courses of study at eligible institutions.

"(b) Authorization of Appropriations.—There are authorized to be appropriated to carry out this part $[illegible] for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"ALLOCATION OF FUNDS

"Sec. 442. (a) Allocation Based on Previous Allocation.—(1) From the amount appropriated pursuant to section 441(b) for each fiscal year, the Secretary shall first allocate to each eligible institution for each succeeding fiscal year, an amount equal to 100 percent of the amount such institution received and used under this part for fiscal year 1985.

"(2)(A) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1985 but is not a first or second time participant, an amount equal to the greater of—

"(i) $5,000; or

"(ii) 90 percent of the amount received and used under this part for the first year it participated in the program.

"(B) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1985 and is a first or second time participant, an amount equal to the greater of—

"(i) $5,000;

"(ii) an amount equal to [illegible] percent of the amount received and paid under this part in the second preceding fiscal year to eligible institutions offering comparable programs of instruction, divided by (I) the number of students enrolled at such comparable institutions in such fiscal year, multiplied by (II) the number of students enrolled at the applicant institution in such fiscal year; or

"(iii) [illegible] percent of the institution's allocation under this part for the preceding fiscal year.

"(2) Notwithstanding subparagraphs (A) and (B) of this paragraph, the Secretary shall allocate to each eligible institution which—

"(i) was a first-time participant in the program in fiscal year 1986 or any subsequent fiscal year; and

"(ii) received a larger amount under this subsection in the second year of participation,

an amount equal to [illegible] percent of the amount it received under this subsection in its second year of participation.

"(3)(A) If the amount appropriated for any fiscal year is less than the amount required to be allocated to all institutions under paragraph (1) of this subsection, then the amount of the allocation to each such institution shall be ratably reduced.

"(B) If the amount appropriated for any fiscal year is more than the amount required to be allocated to all institutions under paragraph (1) but less than the amount required to be allocated to all institutions under paragraph (2), then—

"(i) the Secretary shall allot the amount required to be allocated to all institutions under paragraph (1); and

"(ii) the amount of the allocation to each institution under paragraph (2) shall be ratably reduced.

"(C) If additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced (until the amount allocated equals the amount required to be allocated under paragraphs (1) and (2) of this subsection).

"(b) Allocation of Excess Based on [illegible].—From one-quarter of the remainder of the amount appropriated pursuant to section [illegible] for any fiscal year after applying the allocations required by subsection (a), the Secretary shall allocate to each eligible institution an amount which bears the same ratio to such one-quarter as the amount the eligible institution receives for such fiscal year under subsection (a) bears to the amount all such institutions receive under such subsection (a).

"(c) Allocation of Excess Based on [illegible].—(1) From three-quarters of the remainder of the amount appropriated pursuant to section [illegible] after making the allocations required by subsection (a), the Secretary shall allocate to each eligible institution which has an excess eligible amount an amount which bears the same ratio to such remainder as such excess eligible amount bears to the sum of the excess eligible amounts of all such eligible institutions having such excess eligible amounts.

"(2) For any eligible institution, the excess eligible amount is the amount, if any, by which—

"(A)(i) the amount of that institution's need (as determined under subsection (c)), divided by (ii) the sum of the need of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 3(b) for the fiscal year, exceeds

"(B) the amount required to be allocated to that institution under subsection (a).

"(c) Determination of Institution's Need.—(1) The amount of an institution's need is equal to the sum of the self-help need of the institution's eligible undergraduate students and the self-help need of the institution's eligible graduate and professional students.

"(2) To determine the self-help need of an institution's eligible undergraduate students, the Secretary shall—

"(A) establish various income categories for dependent and independent undergraduate students;

"(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution computed in accordance with part F of this title of a representative sample within each income category for the second preceding fiscal year;

"(C) compute 75 percent of the average cost of attendance for all undergraduate students;

"(D) multiply the number of eligible dependent students in each income category by the lesser of—

"(i) 75 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) for that income category, except that the amount computed by such subtraction shall not be less than zero;

"(E) add the amounts determined under subparagraph (D) for each income category of dependent students; and

"(F) multiply the number of eligible independent students in each income category by the lesser of—

"(i) 75 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) for that income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(G) add the amounts determined under subparagraph (F) for each income category of independent students; and

"(H) add the amounts determined under subparagraphs (E) and (G).

"(3) To determine the self-help need of an institution's eligible graduate and professional students, the Secretary, for academic year 1993–1994 shall use the procedures employed for academic year

1986-1987 and for any subsequent academic years, the Secretary shall—

"(A) establish various income categories of graduate and professional students;

"(B) establish an expected family contribution for each income category of graduate and professional students, determined on the basis of the average graduate family contribution computed in accordance with part F of this title of a representative sample within each income category for the second preceding fiscal year;

"(C) determine the average cost of attendance for all graduate and professional students;

"(D) subtract from the average cost of attendance for all graduate and professional students determined under subparagraph (C), the expected family contribution determined under subparagraph (B) for each income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(E) multiply the amounts determined under subparagraph (D) by the number of eligible students in each category; and

"(F) add the amounts determined under subparagraph (E) of this paragraph for each income category.

"(4)(A) For the purposes of paragraphs (2) and (3), the term 'average cost of attendance' means the average of the attendance costs for undergraduate students and for graduate and professional students, which shall include (i) tuition and fees determined in accordance with subparagraph (B), (ii) standard living expenses determined in accordance with subparagraph (C), and (iii) books and supplies determined in accordance with subparagraph (D).

"(B) The average undergraduate and graduate and professional tuition and fees described in subparagraph (A)(i) shall be computed on the basis of information reported by the institution to the Secretary, which shall include (i) total revenue received by the institution from undergraduate and graduate tuition and fees for the second year preceding the year for which it is applying for an allocation, and (ii) the institution's enrollment for such second preceding year.

"(C) The standard living expense described in subparagraph (A)(ii) is equal to three-fourths of the Pell Grant family size offset for a single independent student.

"(D) The allowance for books and supplies described in subparagraph (A)(iii) is equal to $400.

"(c) Reallocation of Excess Allocations.—(1) If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year, the Secretary shall reallocate such excess in accordance with paragraph (2). Any sums reallocated under this subsection may be used in accordance with section 443(b)(2).

"(2) The Secretary shall reallot 10 percent of the amount available pursuant to paragraph (1) to eligible institutions for use in internships, practicums, and work-learning programs of community service-learning established in accordance with section 447 of this part. The Secretary shall allocate the remainder of the amounts available pursuant to paragraph (1) to eligible institutions based upon the criteria described in subsection (b).

“(d) Filing Deadlines.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

“GRANTS FOR WORK-STUDY PROGRAMS

“Sec. 443. (a) Agreements Required.—The Secretary is authorized to enter into agreements with institutions of higher education under which the Secretary will make grants to such institutions to assist in the operation of work-study programs as provided in this part.

“(b) Contents of Agreements.—An agreement entered into pursuant to this section shall—

“(1) provide for the operation by the institution of a program for the part-time employment of its students in work for the institution itself or work in the public interest for a Federal, State, or local public agency or private nonprofit organization under an arrangement between the institution and such agency or organization, and such work—

“(A) will not result in the displacement of employed workers or impair existing contracts for services;

“(B) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee;

“(C) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship; and

“(D) will not pay any wage to students employed under this subpart that is less than the current Federal minimum wage as mandated by section 6(a) of the Fair Labor Standards Act of 1938;

“(2) provide that funds granted an institution of higher education, pursuant to section 442, may be used only to make payments to students participating in work-study programs, except that—

“(A) an institution may use not to exceed 10 percent of the funds granted to the institution in any fiscal year to carry out [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] of this subsection; and

“(B) an institution may use a portion of the sums granted to it to meet administrative expenses in accordance with section 489 of this Act, may use a portion of the sums granted to it to meet the cost of a job location and development program in accordance with section 446 of this part, and may transfer funds in accordance with the provisions of section 488 of this Act;

“(3) provide that in the selection of students for employment under such work-study program, only students who demonstrate financial need in accordance with part F of this title, and who meet the requirements of section 484, will be assisted, except that if the institution's grant under this part is directly or in-

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tract with another organization, appropriate performance standards are part of such contract; and

"(7) provide that the institution will submit to the Secretary an annual report on the uses made of funds provided under this section and an evaluation of the effectiveness of such program in benefiting the students of such institution.

"(c) DEFINITION OF COMMUNITY SERVICE.—For the purpose of this section, the term 'community services' means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs including, but not limited to, such fields as health care, child care, literacy training, education (including tutorial services), housing and neighborhood improvement, rural development, and community improvement.

"WORK STUDY FOR COMMUNITY SERVICE-LEARNING ON BEHALF OF LOW-INCOME INDIVIDUALS AND FAMILIES

"SEC. 447. (a) PURPOSE.—The purpose of this section is to encourage and enable institutions of higher education to develop work study programs involving eligible students in community service-learning designed to develop, improve, or expand services for low-income individuals and families or to solve particular problems related to the needs of low-income individuals.

"(b) DEFINITIONS.—For the purpose of this section—

"(1) 'community service-learning program' means a program of student work that—

"(A) provides tangible community services for or on behalf of low-income individuals or families; and

"(B) to the maximum extent practicable, provides participating students with work-learning opportunities which complement and reinforce their educational programs or vocational goals; and

"(2) 'community services' means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs including, but not limited to, such fields as health care, child care, literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, and community improvement.

"(c) USE OF OTHER FUNDS TO CONDUCT PROGRAM.—Each institution participating under this part may use funds made available under the last sentence of section 443(b) to conduct that institution's program of community service-learning, including—

"(1) development of mechanisms to assure the academic quality of the student experience,

"(2) assuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives, and

"(3) collaboration with public and private nonprofit agencies in the planning, development, and administration of such programs."

(b) EFFECTIVE DATE.—Sections 446(c), 448, and 447 of the Act as amended by this section shall apply to periods of enrollment beginning on or after July 1, 1987.

SEC. [illegible] DEMONSTRATION PROJECT AUTHORIZED.

The Act is amended by adding after part C the following:

"PART D—INCOME CONTINGENT DIRECT LOAN DEMONSTRATION PROJECT

"STATEMENT OF PURPOSE

"SEC. 451. It is the purpose of this part to examine the feasibility of a direct loan program which uses the income contingent repayment method in order to increase the economies and full use of direct student loan funds.

"DEMONSTRATION PROJECT AUTHORIZED

"SEC. 452. (a) GENERAL AUTHORITY.—The Secretary shall, from the amounts appropriated each fiscal year, carry out demonstration projects in accordance with the provisions of this part.

"(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making contributions to student loan funds established pursuant to this part, there are authorized to be appropriated $5,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(c) ALLOTMENT; MAXIMUM NUMBER OF GRANTS.—(1) The Secretary shall allot the amounts appropriated in each fiscal year pursuant to subsection (b) among institutions of higher education which desire to participate in the pilot project authorized by this part and which have agreements with the Secretary under section 453.

"(2) The Secretary may not enter into agreements with more than 10 institutions of higher education under this part.

"AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION

"SEC. 453. An agreement with an institution of higher education under this part shall—

"(1) provide for the establishment and maintenance of a student loan fund for the purpose of this part;

"(2) provide for the deposit in such fund of Federal capital contributions from funds appropriated pursuant to section 452(b);

"(3) provide for the deposit in such fund of a capital contribution by such institution equal to not less than one-ninth of the amount of the Federal capital contribution described in paragraph (2);

"(4) provide for the deposit in such fund of collections of principal and interest on student loans made from deposited funds and any other earnings of such funds;

"(3) provide that such student loan fund shall be used only for—

"(A) loans to students, in accordance with the provisions of this part,

"(B) administrative expenses; and

"(C) costs of litigation, and other collection costs agreed to by the Secretary in connection with the collection of a loan from the fund (and interest thereon) or a charge assessed pursuant to regulations;

"(4) provide that repayment of the loans made from such student loan funds will be made in accordance with a repayment schedule, which will be adjusted annually on the basis of the total amount borrowed by the student and the income of the student borrower, together with such adjustments in the schedule as the Secretary and the institution determine will best carry out the purpose of this part, except that for the first 2 years of the repayment period the schedule may require a fixed payment plan;

"(5) provide for the distribution of assets from student loan funds under this part in accordance with criteria prescribed by the Secretary, based upon the provisions of section 466; and

"(6) provide for such other assurances and limitations as the Secretary may reasonably require.

"TERMS OF LOAN UNDER THE PILOT PROGRAM

"SEC. 454. (a) CONDITIONS, LIMITATIONS, AND REQUIREMENTS.—(1) Loans from any student loan fund established pursuant to an agreement under section 453 to any student by any institution shall, subject to such conditions, limitations, and requirements as the Secretary shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

"(2) The aggregate amount of all loans made by institutions of higher education from loan funds established pursuant to agreements under this part to any student may not exceed $17,500.

"(3) The total amount of loans made by institutions of higher education from loan funds established pursuant to such agreement for any academic year may not exceed—

"(A) $2,500 in the case of a student who is in the first or second academic year of a program of education leading to a bachelor's degree;

"(B) $3,500 in the case of a student who is in the third such year; and

"(C) $4,500 in the case of a student who is in the fourth and fifth such year.

"(4) The interest rate on all such loans shall be the rate equal to the rate obtained for each calendar year (A) by computing the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 3-month period preceding such year, and (B) by adding 3 percent to the resulting percent.

"(5) Loans made from loan funds established pursuant to such agreements shall contain such agreements for deferments, interest accrual during deferments, and loan cancellation, as are consistent *with the provisions of part B of this title, subject to such modifications as the Secretary may, by regulation, prescribe.*

"(k) AGREEMENTS OR REGULATIONS TO PRESCRIBE OTHER TERMS.—The Secretary may by regulation prescribe such other terms for loans made from loan funds established pursuant to such agreements as the Secretary determines will contribute to carrying out the provisions of this part.

"FEASIBILITY STUDY

"SEC. 455. (a) STUDY.—The Secretary shall, based upon the projects assisted under this part, conduct a study of the feasibility of extending the pilot project to a direct student loan fund program of general applicability beginning after September 30, 1986.

"(b) REPORT.—The Secretary shall prepare and submit to the Congress a report on the feasibility study begun pursuant to subsection (a) not later than October 1, 1987, and October 1, 1990, together with such recommendations as the Secretary deems appropriate."

SEC. 405. AMENDMENT TO PART E OF THE ACT.

(a) AMENDMENT.—Part E of title IV of the Act is amended to read as follows:

"PART E—DIRECT LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"APPROPRIATIONS AUTHORIZED

"SEC. 461. (a) PROGRAM AUTHORITY.—The Secretary shall carry out a program of stimulating and assisting in the establishment and maintenance of funds at institutions of higher education for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions. Loans made under this part shall be known as 'Perkins Loans'.

"(b) AUTHORIZATION OF APPROPRIATIONS.—(1) For the purpose of enabling the Secretary to make contributions to student loan funds established under this part, there are authorized to be appropriated $300,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(2) In addition, there are further authorized to be appropriated such sums for fiscal year 1992 and each of the five succeeding fiscal years as may be necessary to enable students who have received loans for academic years ending prior to October 1, 1991, to continue or complete courses of study.

"(c) USE OF APPROPRIATIONS.—Any sums appropriated pursuant to subsection (b) for any fiscal year shall be available for apportionment pursuant to section 462 and for payments of Federal capital contributions therefrom to institutions of higher education which have agreements with the Secretary under section 463. Such Federal capital contributions and all contributions from such institutions shall be used for the establishment, expansion, and maintenance of student loan funds.

"ALLOCATION OF FUNDS

"SEC. 462. (a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1) From the amount appropriated pursuant to section 461(b) for each

fiscal year, the Secretary shall first allocate to each eligible institution an amount equal to—

"(A) 100 percent of the amount such institution expended under this part for fiscal year 1993, multiplied by

"(B) the institution's default penalty, as determined under subsection (f),

except that if the institution which has a default rate in excess of the applicable maximum default rate under subsection (g), the institution may not receive an allocation under this paragraph.

"(2)(A) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1993 but is not a first or second time participant, an amount equal to the greater of—

"(i) $5,000; or

"(ii) 100 percent of the amount received and expended under this part for the first year it participated in the program.

"(B) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1993 and is a first or second time participant, an amount equal to the greater of—

"(i) $5,000;

"(ii) an amount equal to (I) 90 percent of the amount received and used under this part in the second preceding fiscal year by eligible institutions offering comparable programs of instruction, divided by (II) the number of students enrolled at such comparable institutions in such fiscal year, multiplied by (III) the number of students enrolled at the applicant institution in such fiscal year; or

"(iii) 90 percent of the institution's allocation under this part for the preceding fiscal year.

"(C) Notwithstanding subparagraphs (A) and (B) of this paragraph, the Secretary shall allocate to each eligible institution which—

"(i) was a first-time participant in the program in fiscal year 1993 or any subsequent fiscal year, and

"(ii) received a larger amount under this subsection in the second year of participation,

an amount equal to 90 percent of the amount it received under this subsection in its second year of participation.

"(D) For any fiscal year after a fiscal year in which an institution receives an allocation under subparagraph (A), (B), or (C), the Secretary shall allocate to such institution an amount equal to the product of—

"(i) the amount determined under subparagraph (A), (B), or (C), multiplied by

"(ii) the institution's default penalty, as determined under subsection (f),

except that if the institution which has a default rate in excess of the applicable maximum default rate under subsection (g), the institution may not receive an allocation under this paragraph.

"(3)(A) If the amount appropriated for any fiscal year is less than the amount required to be allocated to all institutions under paragraph (1) of this subsection, then the amount of the allocation to each such institution shall be ratably reduced.

"(B) If the amount appropriated for any fiscal year is more than the amount required to be allocated to all institutions under paragraph (1) but less than the amount required to be allocated to all institutions under paragraph (2), then—

"(i) the Secretary shall allot the amount required to be allocated to all institutions under paragraph (1); and

"(ii) the amount of the allocation to each institution under paragraph (2) shall be ratably reduced.

"(C) If additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced (until the amount allocated equals the amount required to be allocated under paragraphs (1) and (2) of this subsection).

"(b) Allocation of Excess Based on Pell Grant Recipients.—From one-quarter of the remainder of the amount appropriated pursuant to section 461(b) for any fiscal year after making the allocations required by subsection (a) of this section, the Secretary shall allocate to each eligible institution an amount which bears the same ratio to such one-quarter as—

"(1) the amount the eligible institution receives for such fiscal year under subsection (c) bears to

"(2) the amount all such institutions receive under such subsection (c).

"(c) Allocation of Excess Based on Share of Excess Eligible Amounts.—(1) From three-quarters of the remainder of the amount appropriated pursuant to section 461(b) after making the allocations required by subsection (a) of this section, the Secretary shall allocate to each eligible institution which has an excess eligible amount an amount which bears the same ratio to such remainder as such excess eligible amount bears to the sum of the excess eligible amounts of all such eligible institutions (having such excess eligible amounts).

"(2) For any eligible institution, the excess eligible amount is the amount, if any, by which—

"(A)(i) that institution's eligible amount (as determined under paragraph (3)), divided by (ii) the sum of the eligible amounts of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 461(b) for the fiscal year; exceeds

"(B) the amount required to be allocated to that institution under subsection (a),

except that an eligible institution which has a default rate in excess of the applicable maximum default rate under subsection (g) may not receive an allocation under this paragraph.

"(3) For any eligible institution, the eligible amount of that institution is equal to—

"(A) the amount of the institution's self-help need, as determined under subsection (d); minus

"(B) the institution's anticipated collections; multiplied by

"(C) the institution's default penalty, as determined under subsection (f);

except that, if the institution has a default rate in excess of the applicable maximum default rate under subsection (g), the eligible amount of that institution is zero.

"(d) Determination of Institution's Self-Help Need.—(1) The amount of an institution's self-help need is equal to the sum of the self-help need of the institution's eligible undergraduate students and the self-help need of the institution's eligible graduate and professional students.

"(2) To determine the self-help need of an institution's eligible undergraduate students, the Secretary shall—

"(A) establish various income categories for dependent and independent undergraduate students;

"(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution computed in accordance with part F of this title of a representative sample within each income category for the second preceding fiscal year;

"(C) compute 25 percent of the average cost of attendance for all undergraduate students;

"(D) multiply the number of eligible dependent students in each income category by the lesser of—

"(i) 25 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) for that income category, except that the amount computed by such subtraction shall not be less than zero;

"(E) add the amounts determined under subparagraph (D) for each income category of dependent students;

"(F) multiply the number of eligible independent students in each income category by the lesser of—

"(i) 25 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) for that income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(G) add the amounts determined under subparagraph (F) for each income category of independent students; and

"(H) add the amounts determined under subparagraphs (E) and (G).

"(3) To determine the self-help need of an institution's eligible graduate and professional students, the Secretary, for academic year 1988-1989, shall use the procedure employed for academic year 1986-1987 and, for any subsequent academic years, the Secretary shall—

"(A) establish various income categories for graduate and professional students;

"(B) establish an expected family contribution for each income category of graduate and professional students, determined on the basis of the average expected family contribution computed in accordance with part F of this title of a representative

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who are eligible for deferment under section [illegible] or are in a grace period preceding repayment.

(2) For the purpose of paragraph (1)(A), the total principal amount of defaulted loans is equal to the total amount borrowed under loans that have reached repayment status and that are in default, except—

(A) amounts that have been repaid or cancelled on such loans;

(B) loans discharged in bankruptcy;

(C) loans referred or assigned to the Secretary for collection under paragraph [illegible] of section [illegible]; and

(D) loans that are in default but on which the borrower has made satisfactory arrangements to resume payment.

(3) A loan shall be considered to be in default—

(A) 120 days (in the case of a loan repayable monthly); or

(B) 180 days (in the case of a loan repayable quarterly),

after the borrower fails to make an installment payment when due or to comply with other terms of the promissory note.

(h) Filing Deadlines.—The Secretary shall from time to time set dates before which institutions must file applications for allocations under this part.

(i) Reallocation of Excess Allocations.—If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year, the Secretary shall [illegible] in accordance with regulations, reallocate such excess to other institutions.

AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION

Sec. 463. (a) Contents of Agreements.—An agreement with any institution of higher education for the payment of Federal capital contributions under this part shall—

(1) provide for the establishment and maintenance of a student loan fund for the purpose of this part;

(2) provide for the deposit in such fund of—

(A) Federal capital contributions from funds appropriated under section 461;

(B) a capital contribution by such institution in an amount equal to one-ninth of the amount of the Federal capital contributions described in subparagraph (A);

(C) collections of principal and interest on student loans made from deposited funds;

(D) charges collected pursuant to regulations under section [illegible]; and

(E) any other earnings of the funds;

(3) provide that such student loan fund shall be used only for—

(A) loans to students, in accordance with the provisions of this part;

(B) administrative expenses, as provided in subsection (b);

(C) capital distributions, as provided in section [illegible]; and

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rounded to the next highest whole dollar amount that is a multiple of $5;

"(D) shall provide that the loan shall bear interest, on the unpaid balance of the loan, at the rate of (i) 3 percent per year, (ii) 4 percent per year in the case of any loan made on or after July 1, 1981, or (iii) 5 percent per year in the case of any loan made on or after October 1, 1981, except that no interest shall accrue (I) prior to the beginning date of repayment determined under subparagraph (A)(i), or (II) during any period in which repayment is suspended by reason of paragraph (2);

"(E) unless the borrower is a minor and the note or other evidence of obligation executed by him would not, under applicable law, create a binding obligation, shall provide that the loan shall be made without security and without endorsement;

"(F) shall provide that the liability to repay the loan shall be canceled upon the death of the borrower, or if he becomes permanently and totally disabled as determined in accordance with regulations of the Secretary;

"(G) shall provide that no note or evidence of obligation may be assigned by the lender, except upon the transfer of the borrower to another institution participating under this part (or, if not so participating, is eligible to do so and is approved by the Secretary for such purpose), to such institution, and except as necessary to carry out section 463(a)(6);

"(H) pursuant to regulations of the Secretary, shall provide for an assessment of a charge with respect to the loan for failure of the borrower to pay all or part of an installment when due, which shall include the expenses reasonably incurred in attempting collection of the loan, to the extent permitted by the Secretary, except that no charge imposed under this subparagraph shall exceed 20 percent of the amount of the monthly payment of the borrower; and

"(I) shall contain a notice of the system of disclosure of information concerning default on such loan to credit bureau organizations under section 463(c).

"(2)(A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period in which the borrower—

"(i) is carrying at least one-half the normal full-time academic workload at an institution of higher education or at a comparable institution outside the United States which is approved for this purpose by the Secretary;

"(ii) is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

"(iii) is in service as a volunteer under the Peace Corps Act;

"(iv) is in service as a volunteer under the Domestic Volunteer Act of 1973;

"(v) is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

"(vi) is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service;

"(vii) is temporarily totally disabled (as defined in section 435(g)), as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a dependent who is so disabled;

"(viii) is on parental leave, as defined in section 435(h); or

"(ix) is a mother with preschool age children who is just entering or reentering the workforce and who is compensated at a rate not to exceed $1 in excess of the rate prescribed by section 6 of the Fair Labor Standards Act of 1938.

The period during which repayment may be deferred by reason of clause (ii), (iii), (iv), (v), or (vii) shall not exceed 3 years. The period during which repayment may be deferred by reason of clause (vi) shall not exceed 2 years. The period during which repayment may be deferred by reason of clause (viii) shall not exceed 6 months. The period during which the repayment may be deferred by reason of clause (ix) shall not exceed 12 months.

"(B) Any period during which repayment is deferred under subparagraph (A) shall not be included in computing the 10-year maximum period provided for in subparagraph (A) of paragraph (1).

"(C) No repayment of principal of, or interest on, any loan for any period of study, service, or disability described in subparagraph (A) or any combination thereof shall begin until 6 months after the completion of such period of study, service, disability, or combination thereof.

"(3)(A) The Secretary is authorized, when good cause is shown, to extend, in accordance with regulations, the 10-year maximum repayment period provided for in subparagraph (A) of paragraph (1) with respect to individual loans.

"(B) Pursuant to uniform criteria established by the Secretary, the repayment period for any student borrower who during the repayment period is a low-income individual may be extended for a period not to exceed 10 years and the repayment schedule may be adjusted to reflect the income of that individual.

"(4) The institution may elect—

"(A) to add the amount of any charge imposed under paragraph (1)(H) to the principal amount of the loan as of the first day after the day on which the installment was due and to notify the borrower of the assessment of the charge; or

"(B) to make the amount of the charge payable to the institution not later than the due date of the next installment.

"(d) Availability of Loan Fund to All Eligible Students.—An agreement under this part for payment of Federal capital contributions shall include provisions designed to make loans from the student loan fund established pursuant to such agreement reasonably available (to the extent of the available funds in such fund) to all eligible students in such institutions in need thereof.

"CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE

"SEC. 465. (a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—(1) The percent specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

"(2) Loans shall be canceled under paragraph (1) for service—

"(A) as a full-time teacher for service in an academic year in a public or other nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 111(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school and such determination shall not be made with respect to more than 50 percent of the total number of schools in the State receiving assistance under such title I;

"(B) as a full-time staff member in a preschool program carried on under section 222(a)(1) of the Economic Opportunity Act of 1964 which is operated for a period which is comparable to a full school year in the locality if the salary of such staff member is not more than the salary of a comparable employee of the local educational agency;

"(C) as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system;

"(D) as a member of the Armed Forces of the United States, for services that qualifies for special pay under section 310 of title 37, United States Code, as an area of hostilities; or

"(E) as a volunteer under the Peace Corps Act or a volunteer under the Domestic Volunteer Service Act of 1973.

For the purpose of this paragraph, the term 'handicapped children' has the meaning set forth in section 602(1) of the Education of the Handicapped Act.

"(3)(A) The percent of a loan which shall be canceled under paragraph (1) of this subsection is—

"(i) in the case of service described in subparagraph (A) or (C) of paragraph (2), at the rate of 15 percent for the first or second year of such service, 20 percent for the third or fourth year of such service, and 30 percent for the fifth year of such service;

"(ii) in the case of service described in subparagraph (B) of paragraph (2), at the rate of 15 percent for each year of such service;

"(iii) in the case of service described in subparagraph (D) of paragraph (2), not to exceed a total of 50 percent of such loan at the rate of 12 1/2 percent for each year of qualifying service; or

"(iv) in the case of service described in subparagraph (E) of paragraph (2) at the rate of 15 percent for the first or second year of such service and 20 percent for the third or fourth year of such service.

"(B) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

"(C) Nothing in this subsection shall be construed to authorize refunding of any repayment of a loan.

"(4) For the purpose of this subsection, the term 'year' where applied to service as a teacher means academic year as defined by the Secretary.

"(5) The amount of a loan, and interest on a loan, which is canceled under this section shall not be considered income for purposes of the Internal Revenue Code of 1954.

"(b) REIMBURSEMENT FOR CANCELLATION.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection.

"DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS

"SEC. 466. (a) IN GENERAL.—After September 30, 1996, and not later than March 31, 1997, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

"(1) The Secretary shall first be paid an amount which bears the same ratio to the balance in such fund at the close of September 30, 1996, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to the sum of such Federal contributions and the institution's capital contributions to such fund.

"(2) The remainder of such balance shall be paid to the institution.

"(b) DISTRIBUTION OF LATE COLLECTIONS.—After March 31, 1997, each institution with which the Secretary has made an agreement under this part, shall pay to the Secretary the same proportionate share of amounts received by this institution after September 30, 1996, in payment of principal and interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the fund or from such payments of principal or interest), as was determined for the Secretary under subsection (a).

"(c) DISTRIBUTION OF EXCESS CAPITAL.—Upon a finding by the institution or the Secretary prior to October 1, 1997, that the liquid assets of a student loan fund established pursuant to an agreement under this part exceed the amount required for loans or otherwise in *the foreseeable future, and upon notice to such institution or to the Secretary, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Secretary or in such agreement, a capital distribution from such fund. Such capital distribution shall be made as follows:*

"(1) The Secretary shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contributions by the Secretary to the student loan fund prior to such distribution bear to the sum of such Federal capital contributions and the capital contributions to the fund made by the institution.

"(2) The remainder of the capital distribution shall be paid to the institution.

"COLLECTION OF DEFAULTED LOANS

"SEC. 467. (a) AUTHORITY OF SECRETARY TO COLLECT REFERRED, TRANSFERRED, OR ASSIGNED LOANS.—With respect to any loan—

"(1) which was made under this part, and

"(2) which is referred, transferred, or assigned to the Secretary by an institution with an agreement under section 463(a),

the Secretary is authorized to attempt to collect such loan by any means authorized by law for collecting claims of the United States (including referral to the Attorney General for litigation) and under such terms and conditions as the Secretary may prescribe, including reimbursement for expenses reasonably incurred in attempting such collection.

"(b) COLLECTION OF REFERRED, TRANSFERRED, OR ASSIGNED LOANS.—The Secretary shall continue to attempt to collect any loan referred, transferred, or assigned under paragraph (5)(A), (5)(B)(i), or (6) of section 463(a) until all appropriate collection efforts, as determined by the Secretary, have been expended.

"GENERAL AUTHORITY OF SECRETARY

"SEC. 468. In carrying out the provisions of this part, the Secretary is authorized—

"(1) to consent to modification, with respect to rate of interest, time of payment of any installment of principal and interest or any portion thereof, or any other provision of any note evidencing a loan which has been made under this part;

"(2) to enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption;

"(3) to conduct litigation in accordance with the provisions of section 432(a)(2); and

"(4) to enter into a contract or other arrangement with State or nonprofit agencies and, on a competitive basis, with collection agencies for servicing and collection of loans under this part.".

(b) EFFECTIVE DATES.—(1) The changes made in sections 464(c)(1)(A), 464(c)(2), and 465(a)(2)(E) of the Act shall apply only to loans made to cover the costs of instruction for periods of enrollment beginning on or after July 1, 1987, to individuals who are new borrowers on that date.

(2) Section 463(a)(9) of the Act as amended by this section shall apply only to loans made for periods of enrollment beginning on or after July 1, 1987.

(3) For the purpose of this subsection, the term "new borrower" means, with respect to any date, an individual who on that date has no outstanding balance of principal or interest owing on any loan made under part E of title IV of the Act.

SEC. 406. ADDITION OF A NEW PART F RELATING TO NEED ANALYSIS FOR STUDENT ASSISTANCE.

(a) Amendment.—Title IV of the Act is further amended by redesignating part F as part G and by inserting after part E the following new part:

"Part F—Need Analysis

"AMOUNT OF NEED

"Sec. 471. Except as otherwise provided therein, the amount of need of any student for financial assistance under this title (except subparts 1 and 3 of part A) is equal to the cost of attendance of such student minus the expected family contribution for such student.

"COST OF ATTENDANCE

"Sec. 472. For the purpose of this title (except for subpart 1 of part A and subject to section 478), the term 'cost of attendance' means—

"(1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;

"(2) an allowance for books, supplies, transportation, and miscellaneous personal expenses for a student attending the institution on at least a half-time basis, as determined by the institution;

"(3) an allowance (as determined by the institution) for room and board costs incurred by the student which—

"(A) shall be an allowance of not less than $1,500 for a student without dependents residing at home with parents;

"(B) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; and

"(C) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board, except that the amount may not be less than $2,500;

"(4) for less than half-time students (as determined by the institution) tuition and fees and an allowance for only books, supplies, and transportation (as determined by the institution) and dependent care expenses (in accordance with paragraph (7));

"(5) for a student engaged in a program of study by correspondence, only tuition and fees and, if required, books and

supplies, travel, and room and board costs incurred specifically in fulfilling a required period of residential training;

"(6) for a student enrolled in an academic program which normally includes a formal program of study abroad, reasonable costs associated with such study (as determined by the institution);

"(7) for a student with one or more dependents, an allowance (as determined by the institution) based on the expenses reasonably incurred for dependent care based on the number and age of such dependents;

"(8) for a handicapped student, an allowance (as determined by the institution) for those expenses related to his or her handicap, including special services, transportation, equipment, and supplies that are reasonably incurred and not provided for by other assisting agencies; and

"(9) for a student receiving all or part of his or her instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs, but this paragraph shall not be construed to permit including the cost of rental or purchase of equipment.

"FAMILY CONTRIBUTION

"SEC. 473. For the purpose of this title, except subparts 1 and 3 of part A, the term 'family contribution' with respect to any student means the amount which the student and his or her family may be reasonably expected to contribute toward his or her postsecondary education for the academic year for which the determination is made, as determined in accordance with this part.

"DATA ELEMENTS USED IN DETERMINING EXPECTED FAMILY CONTRIBUTION

"SEC. 474. The following data elements are considered in determining the expected family contribution:

"(1) the available income of (A) the student and his or her spouse, or (B) the student (and spouse) and the student's parents, in the case of a dependent student;

"(2) the number of dependents in the family of the student;

"(3) the number of dependents in the family of the student who are enrolled in, on at least a half-time basis, a program of postsecondary education and for whom the family may reasonably be expected to contribute to their postsecondary education;

"(4) the net assets of (A) the student and his or her spouse, and (B) the student (and spouse) and the student's parents, in the case of a dependent student;

"(5) the marital status of the student;

"(6) any unusual medical and dental expenses of (A) the student and the student's parents, in the case of a dependent student, or (B) the student and his or her dependents, in the case of an independent student;

"(7) the number of dependent children other than the student enrolled in a private elementary or secondary institution and the unreimbursed tuition paid (A) in the case of a dependent student, by the student's parents for such dependent children,

or (B) in the case of an independent student with dependents, by the student or his or her spouse for such dependent children who are so enrolled; and

"(8) the additional expenses incurred (A) in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed, or (B) in the case of an independent student, when both the student and his or her spouse are employed or when the employed student qualifies as a surviving spouse or as a head of a household under section 2 of the Internal Revenue Code of 1954.

"FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS

"SEC. 475. (a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each dependent student the expected family contribution is equal to the sum of—

"(1) the parents' contribution from adjusted available income (determined in accordance with subsection (b));

"(2) the student (and spouse) contribution from available income (determined in accordance with subsection (g)); and

"(3) the student (and spouse) income supplemental amount from assets (determined in accordance with subsection (h)).

"(b) PARENTS' CONTRIBUTION FROM ADJUSTED AVAILABLE INCOME.—The parents' contribution from adjusted available income is equal to the amount determined by—

"(1) computing adjusted available income by adding—

"(A) the parents' available income (determined in accordance with subsection (c)); and

"(B) the parents' income supplemental amount from assets (determined in accordance with subsection (d));

"(2) assessing such adjusted available income in accordance with the assessment schedule set forth in subsection (e); and

"(3) dividing the assessment resulting under paragraph (2) by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which assistance under this title is requested;

except that the amount determined under this subsection shall not be less than zero.

"(c) PARENTS' AVAILABLE INCOME.—

"(1) IN GENERAL.—The parents' available income is determined by deducting from total income (as defined in section 480)—

"(A) Federal income taxes;

"(B) an allowance for State and other taxes, determined in accordance with paragraph (2);

"(C) an allowance for social security taxes, determined in accordance with paragraph (3);

"(D) a standard maintenance allowance, determined in accordance with paragraph (4);

"(E) an employment expense allowance, determined in accordance with paragraph (5);

"(F) a medical-dental expense allowance, determined in accordance with paragraph (6); and

"(G) an educational expense allowance, determined in accordance with paragraph (7).

"(2) Allowance for State and other taxes.—The allowance for State and other taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 479):

"Percentages for Computation of State and Other Tax Allowance

If parents' State or territory of residence is—	*And parents' total income is—*	
	Less than $15,000	*$15,000 or more*
	then the percentage is—	
Alaska, Puerto Rico, Wyoming	*3*	*2*
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	*4*	*3*
Florida, South Dakota, Tennessee, New Mexico	*5*	*4*
North Dakota, Washington	*6*	*5*
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virginia	*7*	*6*
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	*8*	*7*
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	*9*	*8*
Maine, New Jersey	*10*	*9*
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	*11*	*10*
Michigan, Minnesota	*12*	*11*
Wisconsin	*13*	*12*
New York	*14*	*13*

"(3) Allowance for social security taxes.—The allowance for social security taxes is equal to the amount earned by each parent multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(4) Standard maintenance allowance.—The standard maintenance allowance is the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The standard maintenance allowance is determined by the following table (or a successor table prescribed by the Secretary under section 479):

"Standard Maintenance Allowance

Family size (including student)	*Number in college*					
	1	*2*	*3*	*4*	*5*	*For each additional subtract:*
2	*$8,380*	*$6,950*				
3	*10,440*	*9,010*	*$7,580*			
4	*12,890*	*11,460*	*10,030*	*$8,600*		
5	*15,210*	*13,780*	*12,350*	*10,920*	*$8,490*	

"Standard Maintenance Allowance—Continued

Family size (including student)	Number in college					
	1	2	3	4	5	For each additional subtract:
6	17,790	16,360	14,930	13,500	12,070	1,430
For each additional add	2,010	2,010	2,010	2,010	2,010	

"(5) Employment expense allowance.—The employment expense allowance is determined as follows:

"(A) If both parents were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such allowance is equal to the lesser of $2,100 or 35 percent of the earned income of the parent with the lesser earned income.

"(B) If a parent qualifies as a head of household as defined in section 2 of the Internal Revenue Code, such allowance is equal to the lesser of $2,100 or 35 percent of his or her earned income.

For any award year after award year 1987–1988, this paragraph shall be applied by increasing the dollar amount specified in subparagraphs (A) and (B) to reflect increases in the amount and percent of the Bureau of Labor Standards budget of the marginal costs for meals away from home, apparel and upkeep, transportation, and housekeeping services for a two-worker versus one-worker family.

"(6) Medical-dental expense allowance.—The medical-dental expense allowance is equal to the amount by which the sum of unreimbursed medical and dental expenses, including medical insurance premiums, exceeds 5 percent of the total income of the parents.

"(7) Educational expense allowance.—The educational expense allowance is equal to the unreimbursed tuition and fees paid by the student's parents for each dependent child, other than the student, enrolled in an elementary or secondary school, not to exceed for each such child the national average per pupil instructional cost as published by the National Center for Educational Statistics using the most recent available data.

"(d) Parents' Income Supplemental Amount From Assets.—

"(1) In general.—The parents' income supplemental amount from assets is equal to—

"(A) the parental net worth (determined in accordance with paragraph (2)); minus

"(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

"(C) the asset conversion rate (determined in accordance with paragraph (4)).

"(2) Parental net worth.—The parental net worth is calculated by adding—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the net value of investments and real estate, including the net value of the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter in this subsection referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"ADJUSTED NET WORTH OF A BUSINESS OR FARM

If the net worth of a business or farm is—	***Then the adjusted net worth is:***
Less than $1	*$0*
$1-$65,000	*40 percent of NW*
$65,001-$195,000	*$26,000 plus 50 percent of NW over $65,000*
$195,001-$325,000	*$91,000 plus 60 percent of NW over $195,000*
$325,001 or more	*$169,000 plus 100 percent of NW over $325,000*

"(3) ASSET PROTECTION ALLOWANCE.—*The asset protection allowance is calculated according to the following table:*

"Asset Protection Allowances for Families and Students

If the age of the oldest parent is—	*And there are*	
	two parents	*one parent*
	then the asset protection allowance is—	
25 or less	*$0*	*$0*
26	*1,900*	*1,500*
27	*3,900*	*3,000*
28	*5,800*	*4,500*
29	*7,800*	*6,100*
30	*9,700*	*7,600*
31	*11,700*	*9,100*
32	*13,600*	*10,600*
33	*15,600*	*12,100*
34	*17,500*	*13,600*
35	*19,500*	*15,100*
36	*21,400*	*16,600*
37	*23,400*	*18,200*
38	*25,300*	*19,700*
39	*27,300*	*21,200*
40	*29,200*	*22,700*
41	*30,000*	*23,200*
42	*30,800*	*23,800*
43	*31,600*	*24,200*
44	*32,500*	*24,800*
45	*33,300*	*25,400*
46	*34,200*	*26,100*
47	*35,200*	*26,700*
48	*36,100*	*27,200*
49	*37,300*	*27,900*
50	*38,300*	*28,800*
51	*39,600*	*29,500*
52	*40,900*	*30,300*

"Asset Protection Allowances for Families and Students—Continued

If the age of the oldest parent is—	*And there are*	
	two parents	*one parent*
53	*42,000*	*31,000*
54	*43,400*	*32,000*
55	*44,800*	*32,800*
56	*46,300*	*33,800*
57	*48,100*	*34,600*
58	*49,700*	*35,700*
59	*51,600*	*36,800*
60	*53,300*	*37,900*
61	*55,300*	*39,000*
62	*57,400*	*40,200*
63	*59,600*	*41,400*
64	*61,800*	*42,600*
65 or more	*64,100*	*44,100*

"(4) ASSET CONVERSION RATE.—The asset conversion rate is determined as follows:

"(A) if the parental net worth (determined in accordance with paragraph (2)) minus the asset protection allowance (determined in accordance with paragraph (3)) is equal to or greater than zero, the conversion rate is 12 percent;

"(B) if such parental net worth minus such asset protection allowance is less than zero and the parents' contribution from available income (determined in accordance with subsection (c)) is greater than $15,000, the conversion rate is zero percent;

"(C) if such parental net worth minus such asset protection allowance is less than zero and such parents' available income is equal to or greater than zero but less than $15,000, the conversion rate (rounded to 3 decimal places) is equal to 6 percent multiplied by a fraction—

"(i) the numerator of which is equal to $15,000 minus such parents' available income; and

"(ii) the denominator of which is $15,000; and

"(D) if such parental net worth minus such asset protection allowance is less than zero and such parents' available income is equal to or less than zero, the conversion rate is 6 percent.

"(e) ASSESSMENT SCHEDULE.—The adjusted available income (as determined under subsection (b)(1) and hereafter in this subsection referred to as 'AAI') is assessed according to the following table (or a successor table prescribed by the Secretary under section 479):

"PARENTS' ASSESSMENT FROM ADJUSTED AVAILABLE INCOME (AAI)

If AAI is—	***Then the assessment is—***
Less than $3,409	*−$750*
$3,409 to $7,500	*22% of AAI*
$7,501 to $9,400	*$1,650 + 25% of AAI over $7,500*
$9,401 to $11,300	*$2,125 + 29% of AAI over $9,400*
$11,301 to $13,200	*$2,676 + 34% of AAI over $11,300*
$13,201 to $15,100	*$3,322 + 40% of AAI over $13,200*
$15,101 or more	*$4,082 + 47% of AAI over $15,100*

“(f) Computations in Case of Separation, Divorce, Remarriage, or Death.—

“(1) Divorced or separated parents.—Income for a student whose parents are divorced or separated is determined under the following procedures:

“(A) Include only the income of the parent with whom the student resided for the greater portion of the 12-month period preceding the date of the application.

“(B) If the preceding criterion does not apply, include only the income of the parent who provided the greater portion of the student's support for the 12-month period preceding the date of application.

“(C) If neither of the preceding criteria apply, include only the income of the parent who provided the greater support during the most recent calendar year for which parental support was provided.

“(2) Death of a parent.—Income in the case of the death of any parent is determined as follows:

“(A) If either of the parents have died, the student shall include only the income of the surviving parent.

“(B) If both parents have died, the student shall not report any parental income.

“(3) Remarried parents.—Income in the case of a parent whose income is taken into account under paragraph (1) of this subsection, or a parent who is a widow or widower and whose income is taken into account under paragraph (2) of this subsection, has remarried, is determined as follows: The income of that parent's spouse shall be included in determining the student's annual adjusted family income if—

“(A) the student's parent and the stepparent are married as of the date of application for the award year concerned; and

“(B) the student is not an independent student.

“(g) Student Contribution From Available Income.—

“(1) In general.—The student (and spouse) contribution from available income is equal to the greater of—

“(A) a mandatory self-help amount of $700 for a first-year undergraduate student;

“(B) a mandatory self-help amount of $900 for any other student; or

“(C) an amount equal to 70 percent of the student's total income (determined in accordance with section 480) minus the adjustment to student (and spouse) income (determined in accordance with paragraph (3)).

“(2) Adjustment to student (and spouse) income.—The adjustment to student (and spouse) income is equal to the sum of—

“(A) estimated Federal income taxes of the student (and spouse);

“(B) an allowance for State and local income taxes (determined in accordance with paragraph (3)); and

“(C) an allowance for social security taxes determined in accordance with paragraph (4).

"(3) ALLOWANCE FOR STATE AND LOCAL INCOME TAXES.—The allowance for State and local income taxes is equal to an amount determined by multiplying total taxable income (as defined in section 480) by a percentage determined according to the following table:

"PERCENTAGES FOR COMPUTATION OF STATE AND LOCAL INCOME TAX ALLOWANCE

If the students' State or territory of residence is—	The percentage is—
Alaska, American Samoa, Florida, Guam, Nevada, South Dakota, Tennessee, Texas, Trust Territory, Virgin Islands, Washington, Wyoming	0
Connecticut, Louisiana, Puerto Rico	1
Arizona, New Hampshire, New Mexico, North Dakota	2
Alabama, Colorado, Illinois, Indiana, Kansas, Mississippi, Missouri, Montana, Nebraska, New Jersey, Oklahoma	3
Arkansas, Georgia, Iowa, Kentucky, Maine, Pennsylvania, Utah, Vermont, Virginia, West Virginia, Canada, Mexico	4
California, Idaho, Massachusetts, North Carolina, Ohio, Rhode Island, South Carolina	5
Hawaii, Maryland, Michigan, Wisconsin	6
Delaware, District of Columbia, Minnesota, Oregon	7
New York	8

"(4) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by the student (and spouse) multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(h) STUDENT (AND SPOUSE) INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—The student (and spouse) supplemental income amount from assets is determined by multiplying by 35 percent the sum of—

"(1) the current balance of checking and savings accounts and cash on hand; and

"(2) the net value of investments and real estate, including the net value in the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act).

"FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS

"SEC. 476. (a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student without dependents (including a spouse), the expected family contribution is equal to the sum of—

"(1) the student's contribution from income (determined in accordance with subsection (b)); and

"(2) the student's income supplemental amount from assets (determined in accordance with subsection (c)).

"(b) STUDENT'S CONTRIBUTION FROM INCOME.—

"(1) IN GENERAL.—The student's contribution from income is determined by—

"(A) computing the student's available taxable income by deducting from the student's adjusted gross income—

"(i) Federal income taxes;

"(ii) an allowance for State and local income taxes, determined in accordance with paragraph (2);

"(iii) the allowance for social security taxes, determined in accordance with paragraph (3); and

"(iv) a maintenance allowance for periods of non-enrollment not to exceed $600 per month;

"(B) assessing such available taxable income in accordance with paragraph (4); and

"(C) adding to the assessment resulting under subparagraph (B) the amount of the untaxed income and benefits of the student (determined in accordance with section 480(c)),

except that the student's contribution from income shall not be less than $1,200.

"(2) ALLOWANCE FOR STATE AND LOCAL INCOME TAXES.—The allowance for State and local income taxes is equal to an amount determined by multiplying total taxable income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 479):

"PERCENTAGES FOR COMPUTATION OF STATE AND LOCAL INCOME TAX ALLOWANCE

If the students' State or territory of residence is—	The percentage is—
Alaska, American Samoa, Florida, Guam, Nevada, South Dakota, Tennessee, Texas, Trust Territory, Virgin Islands, Washington, Wyoming	0
Connecticut, Louisiana, Puerto Rico	1
Arizona, New Hampshire, New Mexico, North Dakota	2
Alabama, Colorado, Illinois, Indiana, Kansas, Mississippi, Missouri, Montana, Nebraska, New Jersey, Oklahoma	3
Arkansas, Georgia, Iowa, Kentucky, Maine, Pennsylvania, Utah, Vermont, Virginia, West Virginia, Canada, Mexico	4
California, Idaho, Massachusetts, North Carolina, Ohio, Rhode Island, South Carolina	5
Hawaii, Maryland, Michigan, Wisconsin	6
Delaware, District of Columbia, Minnesota, Oregon	7
New York	8

"(3) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by the student multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(4) ASSESSMENT OF AVAILABLE TAXABLE INCOME.—The student's available taxable income (determined in accordance with paragraph (1)(A) of this subsection) is assessed as follows:

"(A) if such available taxable income is equal to or greater than $0 but less than or equal to $8,900, then the assessment is equal to 70 percent of such available taxable income; and

"(B) if such available taxable income is greater than $8,900, then the assessment is equal to $6,230 plus 90 percent of such available taxable income in excess of $8,900.

"(c) STUDENT'S INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—

"(1) IN GENERAL.—The student's income supplemental amount from assets is equal to—

"(A) the student's net worth (determined in accordance with paragraph (2)); minus

"(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

"(C) the asset conversion rate (determined in accordance with paragraph (4)).

"(2) STUDENT'S NET WORTH.—The student's net worth is calculated by adding—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the net value of investments and real estate, including the net value in the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"ADJUSTED NET WORTH OF A BUSINESS OR FARM

If the net worth of a business or farm is—	***Then the adjusted net worth is—***
Less than $1	*$0*
$1-$65,000	*40 percent of NW*
$65,001-$195,000	*$26,000 plus 50 percent of NW over $65,000*
$195,001-$325,000	*$91,000 plus 60 percent of NW over $195,000*
$325,001 or more	*$169,000 plus 100 percent of NW over $325,000*

"(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table:

"ASSET PROTECTION ALLOWANCES FOR STUDENTS

If the age of the student is—	***Then the asset protection allowance is—***
25 or less	*$0*
26	*1,500*
27	*3,000*
28	*4,500*
29	*6,100*
30	*7,600*
31	*9,100*
32	*10,600*
33	*12,100*
34	*13,600*
35	*15,100*
36	*16,600*
37	*18,200*
38	*19,700*
39	*21,200*
40	*22,700*
41	*23,200*
42	*23,800*
43	*24,200*
44	*24,800*
45	*25,400*
46	*26,100*

If the age of the student is—	*Then the asset protection allowance is—*
47	*26,700*
48	*27,200*
49	*27,900*
50	*28,800*
51	*29,500*
52	*30,300*
53	*31,000*
54	*32,000*
55	*32,800*
56	*33,800*
57	*34,600*
58	*35,700*
59	*36,800*
60	*37,900*
61	*39,000*
62	*40,200*
63	*41,400*
64	*42,600*
65 or more	*44,100*

"(4) ASSET CONVERSION RATE.—The asset conversion rate is 35 percent.

"FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS

"SEC. 477. (a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student with dependents (including a spouse) the expected family contribution is equal to the amount determined by—

"(1) computing adjusted available income by adding—

"(A) the family's available income (determined in accordance with subsection (b)); and

"(B) the family's income supplemental amount from assets (determined in accordance with subsection (c));

"(2) assessing such adjusted available income in accordance with an assessment schedule set forth in subsection (d); and

"(3) dividing the assessment resulting under paragraph (2) by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which assistance under this title is requested;

except that the amount determined under this subsection shall not be less than zero.

"(b) FAMILY'S AVAILABLE INCOME.—

"(1) IN GENERAL.—The family's available income is determined by deducting from total income (as defined in section 480)—

"(A) Federal income taxes;

"(B) an allowance for State and other taxes, determined in accordance with paragraph (2);

"(C) an allowance for social security taxes, determined in accordance with paragraph (3);

"(D) a standard maintenance allowance, determined in accordance with paragraph (4);

"(E) an employment expense allowance, determined in accordance with paragraph (5);

"(F) a medical-dental expense allowance, determined in accordance with paragraph (6); and

"(G) an educational expense offset, determined in accordance with paragraph (7);

except that the family's available income shall not be less than $700 for a first year undergraduate student or $900 for any other student.

"(2) Allowance for State and other taxes.—The allowance for State and other taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 479):

"Percentages for Computation of State and Other Tax Allowance

If student's State or territory of residence is—	*And student's total income is—*	
	less than $15,00	*$15,000 or more*
	then the percentage is—	
Alaska, Puerto Rico, Wyoming	*3*	*2*
American Samoa, Guam, Louisiana, Nevada, Texas, Trust Territory, Virgin Islands	*4*	*3*
Florida, South Dakota, Tennessee, New Mexico	*5*	*4*
North Dakota, Washington	*6*	*5*
Alabama, Arizona, Arkansas, Indiana, Mississippi, Missouri, Montana, New Hampshire, Oklahoma, West Virginia	*7*	*6*
Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky	*8*	*7*
California, Delaware, Idaho, Iowa, Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Virginia, Canada, Mexico	*9*	*8*
Maine, New Jersey	*10*	*9*
District of Columbia, Hawaii, Maryland, Massachusetts, Oregon, Rhode Island	*11*	*10*
Michigan, Minnesota	*12*	*11*
Wisconsin	*13*	*12*
New York	*14*	*13*

"(3) Allowance for social security taxes.—The allowance for social security taxes is equal to the amount earned by the student and the student's spouse multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(4) Standard maintenance allowance.—The standard maintenance allowance is the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The standard maintenance allowance is determined by the following table (or a successor table prescribed by the Secretary under section 479):

"Standard Maintenance Allowance

Family Size (including student)	Number in College					
	1	2	3	4	5	For Each Additional Subtract
2	$8,380	$6,950				
3	10,440	9,010	$7,580			
4	12,890	11,460	10,030	$8,600		
5	15,210	13,780	12,350	10,920	$8,490	
6	17,790	16,360	14,930	13,500	12,070	1,430
For Each Additional Add	2,010	2,010	2,010	2,010	2,010	

"(5) Employment expense allowance.—The employment expense allowance is determined as follows:

"(A) If both the student and a spouse were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such allowance is equal to the lesser of $2,000 or 35 percent of the earned income of the student or spouse with the lesser earned income.

"(B) If a student qualifies as a head of household as defined in section 2 of the Internal Revenue Code, such allowance is equal to the lesser of $2,100 or 35 percent of his or her earned income.

For any award year after award year 1987–1988, this paragraph shall be applied by increasing the dollar amount specified in subparagraphs (A) and (B) to reflect increases in the amount and percent of the Bureau of Labor Standards budget of the marginal costs for meals away from home, apparel and upkeep, transportation, and housekeeping services for a two-worker versus one-worker family.

"(6) Medical-dental expense allowance.—The medical-dental expense allowance is equal to the amount by which the sum of unreimbursed medical and dental expenses, including medical insurance premiums, exceeds 5 percent of the total income of the family.

"(7) Educational expense allowance.—The educational expense allowance is equal to the unreimbursed tuition and fees paid by the student or the student's spouse, or both, for each dependent child, enrolled in elementary or secondary school, not to exceed for each such child the national average per pupil instructional cost as published by the National Center for Educational Statistics using the most recent available data.

"(c) Family's Income Supplemental Amount From Assets.—

"(1) In general.—The family's income supplemental amount from assets is equal to—

"(A) the family net worth (determined in accordance with paragraph (2)); minus

"(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

"(C) the asset conversion rate (determined in accordance with paragraph (4)).

"(2) FAMILY NET WORTH.—The family net worth is calculated by adding—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the net value of investments and real estate, including the net value in the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1-$65,000	40 percent of NW
$65,001-$195,000	$26,000 plus 50 percent of NW over $65,000
$195,001-$325,000	$91,000 plus 60 percent of NW over $195,000
$325,001 or more	$169,000 plus 100 percent of NW over $325,000

"(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table:

"Asset Protection Allowances for Families and Students

If the age of the student is—	And there are two spouses	one spouse
	then the asset protection allowance is—	
25 or less	$0	$0
26	1,900	1,500
27	3,900	3,000
28	5,800	4,500
29	7,800	6,100
30	9,700	7,600
31	11,700	9,100
32	13,600	10,600
33	15,600	12,100
34	17,500	13,600
35	19,500	15,100
36	21,400	16,600
37	23,400	18,200
38	25,300	19,700
39	27,300	21,200
40	29,200	22,700
41	30,000	23,200
42	30,800	23,800
43	31,600	24,200
44	32,500	24,800
45	33,300	25,400
46	34,200	26,100
47	35,200	26,700

"Asset Protection Allowances for Families and Students—Continued

If the age of the student is—	And there are	
	two spouses	one spouse
48	36,100	27,200
49	37,300	27,900
50	38,300	28,800
51	39,600	29,500
52	40,900	30,300
53	42,000	31,000
54	43,400	32,000
55	44,800	32,800
56	46,300	33,800
57	48,100	34,600
58	49,700	35,700
59	51,600	36,800
60	53,300	37,900
61	55,300	39,000
62	57,400	40,200
63	59,600	41,400
64	61,800	42,600
65 or more	64,100	44,100

*"(4) **Asset conversion rate**.—The asset conversion rate is determined as follows:*

"(A) if the family's net worth (determined in accordance with paragraph (2)) minus the asset protection allowance (determined in accordance with paragraph (3)) is equal to or greater than zero, the conversion rate is 12 percent;

"(B) if such family's net worth minus such asset protection allowance is less than zero and the family's available income (determined in accordance with subsection (c)) is greater than $15,000, the conversion rate is zero percent;

"(C) if such family's net worth minus such asset protection allowance is less than zero and such family's available income is equal to or greater than zero but less than $15,000, the conversion rate is equal to 6 percent multiplied by a fraction—

"(i) the numerator of which is equal to $15,000 minus such family's available income; and

"(ii) the denominator of which is $15,000; and

"(D) if such family's net worth minus such asset protection allowance is less than zero and such family's available income is less than zero, the conversion rate is 6 percent.

*"(d) **Assessment Schedule**.—The adjusted available income (as determined under subsection (a)(1) and hereafter referred to as 'AAI') is assessed according to the following table (or a successor table prescribed by the Secretary under section 479):*

"ASSESSMENT FROM ADJUSTED AVAILABLE INCOME (AAI)

If AAI is—	Then the assessment is—
Less than $3,409	−$750
$3,409 to $7,500	22% of AAI
$7,501 to $9,400	$1,650 + 25% of AAI over $7,500
$9,401 to $11,300	$2,125 + 29% of AAI over $9,400
$11,301 to $13,200	$2,676 + 34% of AAI over $11,300
$13,201 to $15,100	$3,322 + 40% of AAI over $13,200
$15,101 or more	$4,082 + 47% of AAI over $15,100

"Sec. 478. (a) Authority To Prescribe Regulations Restricted.—(1) Notwithstanding any other provision of law, the Secretary shall not have the authority to prescribe regulations to carry out this part except—

"(A) to prescribe updated tables in accordance with subsections (b) through (e) of this section; or

"(B) to propose modifications in the need analysis methodology required by this part.

"(2) Any regulation proposed by the Secretary that (A) updates tables in a manner that does not comply with subsections (b) through (e) of this section, or (B) that proposes modifications under paragraph (1)(B) of this subsection, shall not be effective unless approved by joint resolution of the Congress by May 1 following the date such regulations are published in the Federal Register in accordance with section 482. If the Congress fails to approve such regulations by such May 1, the Secretary shall publish in the Federal Register in accordance with section 482 updated tables for the applicable award year that are prescribed in accordance with subsections (b) through (e) of this section.

"(b) Standard Maintenance Allowance.—For each academic year after academic year 1987-1988, the Secretary shall publish in the Federal Register a revised table of standard maintenance allowances for the purpose of sections 475(c)(4) and 477(b)(4). Such revised table shall be developed by increasing each of the dollar amounts contained in the table in each such section by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary after consultation with the Advisory Committee on Student Financial Assistance) between December 1986 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $10.

"(c) Adjusted Net Worth of a Farm or Business.—For each academic year after academic year 1987-1988, the Secretary shall publish in the Federal Register a revised table of adjusted net worth of a farm or business for the purpose of sections 475(d)(2)(C), 476(c)(2)(C), and 477(c)(2)(C). Such revised table shall be developed—

"(1) by increasing each dollar amount that refers to net worth of a farm or business by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary after consultation with the Advisory Committee on Student Financial Assistance) between 1986 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $5,000; and

"(2) by adjusting the dollar amounts '$26,000', '$91,000', and '$169,000' to reflect the changes made pursuant to paragraph (1).

"(d) Asset Protection Allowance.—For each academic year after academic year 1987-1988, the Secretary shall publish in the Federal Register a revised table of asset protection allowances for purposes of sections 475(d)(3), 476(c)(3), and 477(c)(3). Such revised table shall be developed by determining the present value cost of an annuity that would provide, for each age cohort, a supplemental income at age 65 (adjusted for inflation) equal to the difference be-

tween the moderate family income (as most recently determined by the Bureau of Labor Statistics) and the current average social security retirement benefits. In making such determinations—

"(1) inflation shall be presumed to be 6 percent per year;

"(2) the rate of return of an annuity shall be presumed to be 8 percent; and

"(3) the sales commission on an annuity shall be presumed to be 6 percent.

"(e) ASSESSMENT SCHEDULES AND RATES.—(1) For each academic year after academic year 1987–1988, the Secretary shall publish in the Federal Register a revised table of assessments from adjusted available income for the purpose of sections 475(e) and 477(d). Such revised table shall be developed—

"(A) by increasing each dollar amount that refers to adjusted available income by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary after consultation with the Advisory Committee on Student Financial Assistance) between December 1986 and the December next preceding the beginning of such academic year, rounded to the nearest $100; and

"(B) by adjusting the other dollar amounts to reflect the changes made pursuant to subparagraph (A).

"(2) For each academic year after academic year 1987–1988, the assessments made pursuant to section 476(b)(4) shall be made—

"(A) by increasing each dollar amount that refers to adjusted available income by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary after consultation with the Advisory Committee on Student Financial Assistance) between December 1986 and the December next preceding the beginning of such academic year, rounded to the nearest $100; and

"(B) by adjusting the other dollar amount to reflect the changes made pursuant to subparagraph (A).

The Secretary shall publish in the Federal Register the adjustments required to carry out this paragraph.

"(f) DEFINITION OF CONSUMER PRICE INDEX.—As used in this section, the term 'Consumer Price Index' means the Consumer Price Index for Wage Earners and Clerical Workers published by the Department of Labor. Each annual update of tables to reflect changes in the Consumer Price Index shall be corrected for misestimation of actual changes in such Index in previous years.

"SIMPLIFIED NEEDS TEST

"SEC. 479. (a) APPLICABLE TO ALL TITLE IV PROGRAMS.—The Secretary shall use a simplified needs analysis for any provision of this title based upon the elements set forth in paragraph (2) for the calculation of the expected family contribution for families which have adjusted gross incomes which are equal to or less than $15,000 per year and which file a form 1040A pursuant to the Internal Revenue Code of 1954.

"(b) ELEMENTS IN TESTS.—The five elements to be used for the simplified needs analysis are—

"(1) adjusted gross income,

"(2) Federal and State taxes paid,

"(3) untaxed income and benefits,

"(4) the number of family members, and

"(5) the number of family members in postsecondary education.

"DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS

"Sec. 479A. Nothing in this part shall be interpreted as limiting the ability of the student financial aid administrator, on the basis of adequate documentation, to make necessary adjustments to the cost of attendance and expected family contribution computations to allow for treatment of individual students with special circumstances. In addition, nothing in this part shall be interpreted as limiting the ability of the student financial aid administrator to use supplementary information about the financial status of eligible applicants in selecting recipients and determining the amount of awards under subparts 1 and 2 of part A and parts B, C, and E of this title.

"STUDENT ASSISTANCE AND OTHER FEDERAL PROGRAMS

"Sec. 479B. No portion of any student financial assistance received by an individual from any program funded in whole or in part under title IV of this Act which is used by that individual for costs described in section 472 (1) and (2) of this title, shall be considered as income or resources in determining eligibility for assistance under any other program funded in whole or in part with Federal funds.

"DEFINITIONS

"Sec. 480. As used in this part:

"(a) Total Income.—(1) Except as provided in paragraphs (2) and (3), the term 'total income' is equal to adjusted gross income plus untaxed income and benefits for the preceding tax year.

"(2) The Secretary shall promulgate special regulations to permit, in the computation of family contributions for the programs under subpart 2 of part A and parts B, C, and E of this title for any academic year the exclusion from family income of any proceeds of a sale of farm or business assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(3) Income in the case of a dislocated worker shall be the income for the year for which the determination is made. For the purpose of this subparagraph, a dislocated worker is a worker identified pursuant to title III of the Job Training Partnership Act.

"(b) Untaxed Income and Benefits of Parents and Independent Students with Dependents.—The term 'untaxed income and benefits' when applied to parent contributions or the contributions of independent students with dependents (including spouses) means—

"(1) the Federal income tax deduction for a married couple when both work;

"(2) child support received;

"(3) welfare benefits, including aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act and aid to dependent children;

"(4) untaxed portions of unemployment compensation, except in any case in which a student is a dislocated worker certified in accordance with title III of the Job Training Partnership Act;

"(5) workman's compensation;

"(6) veterans benefits such as death pension, dependency and indemnity compensation, and Veterans' Administration vocational rehabilitation program benefits (excluding educational benefits);

"(7) educational benefits received under chapter 31 or chapter 34 of title 38, United States Code, by family members excluding dependent students;

"(8) interest on tax-free bonds;

"(9) the amount of dividends excluded for Federal income tax purposes;

"(10) untaxed portions of pensions and capital gains;

"(11) housing, food, and other living allowances (excluding rent subsidies for low-income housing) for military, clergy, and others (including cash payments and cash value of benefits);

"(12) Job Training Partnership Act non-educational benefits;

"(13) payments to individual retirement accounts and Keogh accounts;

"(14) the amount of earned income credit claimed for Federal income tax purposes;

"(15) credit for Federal tax on special fuels;

"(16) the amount of dividend reinvestment excluded for purposes of Federal income taxes;

"(17) the amount of foreign income excluded for purposes of Federal income taxes;

"(18) untaxed social security benefits; and

"(19) any other untaxed income and benefits, such as black lung or railroad retirement benefits.

"(c) UNTAXED INCOME AND BENEFITS OF DEPENDENT STUDENTS OR INDEPENDENT STUDENTS WITHOUT DEPENDENTS.—For the purpose of this part, the term 'untaxed income and benefits' when applied to the contributions of dependent students or independent students without dependents means—

"(1) veterans benefits such as death pension, dependency and indemnity compensation, and Veterans' Administration vocational rehabilitation program benefits (excluding educational benefits);

"(2) educational benefits received under chapter 31 or chapter 34 of title 38, United States Code, by the student;

"(3) interest on tax-free bonds;

"(4) the amount of dividends excluded for purposes of Federal income taxes;

"(5) untaxed portions of pensions and capital gains;

"(6) housing, food, and other living allowances (excluding rent subsidies for low-income housing) for military, clergy, and others (including cash payments and cash value of benefits);

"*(7) Job Training Partnership Act noneducational benefits, except in any case in which a student is a dislocated worker certified in accordance with title III of the Job Training Partnership Act;*

"*(8) untaxed portions of social security;*

"*(9) welfare benefits;*

"*(10) untaxed portions of unemployment compensation;*

"*(11) workmen's compensation;*

"*(12) payments to individual retirement accounts and Keogh accounts;*

"*(13) credit for Federal tax on special fuels;*

"*(14) the amount of dividend reinvestment excluded for purposes of Federal income taxes;*

"*(15) the amount of foreign income excluded for purposes of Federal income taxes; and*

"*(16) any other untaxed income and benefits, such as black lung or railroad retirement benefits.*

"*(d) INDEPENDENT STUDENT.—(1) The term 'independent', when used with respect to a student, means any individual who—*

"*(A) is 24 years of age or older by December 31 of the award year; or*

"*(B) meets the requirements of paragraph (2).*

"*(2) Except as provided in paragraph (3), an individual meets the requirements of this paragraph if such individual—*

"*(A) is an orphan or ward of the court;*

"*(B) is a veteran of the Armed Forces of the United States;*

"*(C) is a graduate or professional student who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;*

"*(D) is a married individual who declares that he or she will not be claimed as a dependent for income tax purposes by his or her parents (or guardian) for the first calendar year of the award year;*

"*(E) has legal dependents other than a spouse;*

"*(F) is a single undergraduate student with no dependents who was not claimed as a dependent by his or her parents (or guardian) for income tax purposes for the 2 calendar years preceding the award year and demonstrates to the student financial aid administrator total self-sufficiency during the 2 calendar years preceding the award year in which the initial award will be granted by demonstrating an annual total income of $4,000; or*

"*(G) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.*

"*(3) An individual may not be treated as an independent student pursuant to subparagraphs (C), (D), and (F) of paragraph (2) if the financial aid administrator determines that such individual was treated as an independent student during the preceding award year, but was claimed as a dependent by any other individual (other than a spouse) for income tax purposes for the first calendar year of such award year.*

"(4) The financial aid administrator may certify an individual described in subparagraph (C), (D), or (F) of paragraph (2) on the basis of a demonstration made by the individual, but no disbursal of an award may be made without documentation.

"(e) DISPLACED HOMEMAKER.—The term 'displaced homemaker' means an individual who—

"(1) has not worked in the labor force for a substantial number of years but has, during those years, worked in the home providing unpaid services for family members;

"(2)(A) has been dependent on public assistance or on the income of another family member but is no longer supported by that income, or (B) is receiving public assistance on account of dependent children in the home; and

"(3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.".

(b) EFFECTIVE DATES FOR NEED ANALYSIS PROVISIONS.—(1) Except as provided in paragraphs (2) and (3)—

(A) part F of title IV of the Act shall apply with respect to determinations of need under such title for academic years beginning with academic year 1988-1989 and succeeding academic years; and

(B) for any preceding academic year, determinations of need shall be made in accordance with regulations prescribed by the Secretary of Education in accordance with the Student Financial Assistance Technical Amendments Act of 1982.

(2) With respect to an application filed after the date of enactment of this Act for a loan under part B of such title for any academic year preceding academic year 1988-1989, any determination of expected family contribution shall be made using the system of financial need analysis approved by the Secretary of Education for use under subpart 2 of part A and parts C and E of such title.

(3) For purposes of sections 413D(d)(2)(B), 442(d)(2)(B) and 462(d)(2)(B) for any academic year preceding academic year 1988-1989, the Secretary shall, in lieu of average expected family contribution, use the procedures for sampling expected family contribution within income categories that was employed for academic year 1986-1987, adjusted to reflect changes in data.

(4) The definition of independent student contained in section 480(d) of the Act as amended by subsection (a) of this section shall apply with respect to the determination of such need for periods of enrollment beginning on or after January 1, 1987.

SEC. 407. REVISION OF STUDENT ASSISTANCE GENERAL PROVISIONS.

(a) AMENDMENT.—Part G of title IV of the Act (as redesignated by section 406) is amended to read as follows:

"PART G—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

"DEFINITIONS

"SEC. 481. (a) INSTITUTION OF HIGHER EDUCATION.—(1) For the purpose of this title, except subpart 6 of part A and part B, the term 'institution of higher education' includes, in addition to the institutions covered by the definition contained in section 1201(a)—

"(A) a proprietary institution of higher education;

"(B) a postsecondary vocational institution;

"(C) a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing; and

"(D) a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited 2-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree.

"(2) The term 'accredited' when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Secretary.

"(b) Proprietary Institution of Higher Education.—For the purpose of this section, the term 'proprietary institution of higher education' means a school (1) which provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1201(a), (3) which does not meet the requirement of clause (4) of section 1201(a), (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose, and (5) which has been in existence for at least 2 years. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under section 484(d)) from the training offered by the institution. For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered. The Secretary shall not promulgate regulations defining the admissions procedures or remediation programs that must be used by an institution in admitting students on the basis of their ability to benefit from the training offered and shall not, as a condition of recognition under section 413(e) of this Act, impose upon any accrediting body or bodies standards which are different or more restrictive than the standards provided in this subsection.

"(c) Postsecondary Vocational Institution.—For the purpose of this section, the term 'postsecondary vocational institution' means a school (1) which provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1), (2), (4), and (5) of section 1201(a), and (3) which has been in existence for at least 2 years. Such term also includes an educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under subsection (d) of this section) from the training offered by the institution.

"(d) ACADEMIC YEAR.—For the purpose of any program under this title, the term 'academic year' shall be defined by the Secretary by regulation.

"MASTER CALENDAR

"SEC. 482. (a) SECRETARY REQUIRED TO COMPLY WITH SCHEDULE.—To assure adequate notification and timely delivery of student aid funds under this title, the Secretary shall adhere to the following calendar dates in the year preceding the award year:

"(1) Development and distribution of Federal and multiple data entry forms—

"(A) by February 1: first meeting of the technical committee on forms design of the Department;

"(B) by March 1: proposed modifications and updates pursuant to sections 411E and 478 published in the Federal Register;

"(C) by June 1: final modifications and updates pursuant to section 411E and 478 published in the Federal Register;

"(D) by August 15: application for Federal student assistance and multiple data entry data elements and instructions approved;

"(E) by August 30: final approved forms delivered to servicers and printers;

"(F) by October 1: Federal and multiple data entry forms and instructions printed; and

"(G) by November 1: Federal and multiple data entry forms, instructions, and training materials distributed.

"(2) Allocations of campus-based and Pell Grant funds—

"(A) by August 1: distribution of institutional application for campus-based funds (FISAP) to institutions;

"(B) by October 1: final date for submission of FISAP by institutions to the Department;

"(C) by November 15: edited FISAP and computer printout received by institutions;

"(D) by December 1: appeals procedures received by institutions;

"(E) by December 15: edits returned by institutions to the Department;

"(F) by February 1: tentative award levels received by institutions and final Pell Grant payment schedule;

"(G) by February 15: closing date for receipt of institutional appeals by the Department;

"(H) by March 1: appeals process completed;

"(I) by April 1: final award notifications sent to institutions; and

"(J) by June 1: Pell Grant authorization levels sent to institutions.

"(b) TIMING FOR REALLOCATIONS.—With respect to any funds reallocated under section 413D(e) or 442(e), the Secretary shall reallocate such funds at any time during the course of the year that will best meet the purpose of the programs under subpart 2 of part A and part C, respectively. However, such reallocation shall occur at least once each year, not later than September 30 of that year.

"(c) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.—Any additional regulatory changes initiated by the Secretary affecting the general administration of the programs pursuant to this title that have not been published in final form by December 1 prior to the start of the award year shall not become effective until the beginning of the second award year after the December 1 date.

"(d) NOTICE TO CONGRESS.—The Secretary shall notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives when the items specified in the calendar have been completed and provide all relevant forms, rules, and instructions with such notice. When a deadline included in the calendar is not met, the Secretary, within 7 days, shall submit to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives a written report, including proper documentation, as to why the deadline was not adhered to and a detailed plan for ensuring that subsequent dates are met. Nothing in this section shall be interpreted to penalize institutions or deny them the specified times allotted to enable them to return information to the Secretary based on the failure of the Secretary to adhere to the dates specified in this section.

"FORMS AND REGULATIONS

"SEC. 483. (a) COMMON FINANCIAL AID FORM AND PROCESSING.—(1) The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, shall prescribe a common financial reporting form to be used to determine the need and eligibility of a student for financial assistance under parts A, C, and E of this title (other than under subpart 3 of part A) and to determine the need of a student for the purpose of part B of this title. For the purpose of collecting eligibility and other data for the purpose of part B, guaranty agencies, in cooperation with the Secretary, shall develop separate, identifiable loan application documents that applicants shall submit directly to eligible lenders. No student or parent of a student shall be charged a fee for processing the form prescribed by the Secretary whether the student completes that form or any other approved form. A student or parent may be charged a fee for processing an institutional or a State financial aid form or data elements that is not required by the Secretary.

"(2) The Secretary shall, to the extent practicable, enter into not less than 3 contracts with States, institutions of higher education, or private organizations for the purpose of processing the application required under this subsection and issuing eligibility reports.

"(3) The Secretary shall reimburse all approved contractors at a reasonable predetermined rate for processing such applications, for issuing eligibility reports, and for carrying out other services or requirements that may be prescribed by the Secretary.

"(4) All approved contractors shall be required to adhere to all editing, processing, and reporting requirements established by the Secretary to ensure consistency.

"(5) Nothing in this section shall prohibit States, institutions of higher education, or private organizations from simultaneously collecting data elements, in addition to the data elements prescribed by

the Secretary, as may be necessary to determine the eligibility of a student for financial aid funds not covered by this title.

"(b) INFORMATION TO COMMITTEES OF CONGRESS.—Copies of all rules, regulations, guidelines, instructions, and application forms published or promulgated pursuant to this title shall be provided to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives at least 45 days prior to their effective date.

"(c) INFORMATION ON ELIGIBILITY FOR ASSISTANCE.—To help ensure access to postsecondary education by providing early notice to students of their potential eligibility for financial aid, the Secretary is authorized to enter into contracts with States, institutions of higher education, and private organizations for the purpose of—

"(1) developing a common pre-eligibility Federal financial aid form,

"(2) distributing and processing such form on a year-round basis free of charge to students, and

"(3) issuing, on the basis of information reported by the student on such form, a pre-eligibility index designed to estimate the amount of Federal (and, if feasible, non-Federal) funds for which the student might qualify in later completing and submitting the application form called for under this section.

The Secretary shall widely disseminate the pre-eligibility form through post offices and other appropriate Federal installations, schools, postsecondary institutions, libraries, and community-based agencies, including projects assisted under subparts 4 and 5 of part A of this title.

"(d) TOLL-FREE INFORMATION.—The Secretary shall contract for, or establish, and publicize a toll-free telephone number to provide timely and accurate information to the general public. The information provided shall include specific instructions on completing application forms for assistance under this title.

"(e) NOTICE OF STUDENT AID RECEIPT.—(1) The Secretary shall develop a single form on which the amount of assistance received under this title (except assistance received under subparts 4, 5, and 7 of part A) by each student who receives such assistance can be recorded. This form shall be titled 'United States Department of Education, Federal Student Assistance Report'. Such form shall have prominently displayed the Great Seal of the United States. Such form shall be the same or a closely similar color to that of checks issued by the Treasury Department and be provided by the Secretary free to eligible institutions in sufficient quantity and in a timely manner so that each eligible institution can provide a completed copy to each recipient of assistance under this title (except assistance received under subparts 4, 5, and 7 of part A) at the time awards are made but not less than once annually.

"(2) Eligible institutions shall provide to each recipient of assistance under this title (except assistance received under subparts 4, 5, and 7 of part A) a completed copy of the 'United States Department of Education, Federal Student Assistance Report' form at the time awards are made but not less than once annually.

"STUDENT ELIGIBILITY

"SEC. 484. (a) IN GENERAL.—In order to receive any grant, loan, or work assistance under this title, a student must—

"(1) be enrolled or accepted for enrollment in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487;

"(2) if the student is presently enrolled at an institution, be maintaining satisfactory progress in the course of study the student is pursuing in accordance with the provisions of subsection (c);

"(3) not owe a refund on grants previously received at any institution under this title, or be in default on any loan from a student loan fund at any institution provided for in part E, or a loan made, insured, or guaranteed by the Secretary under this title for attendance at any institution;

"(4) file with the institution of higher education which the student intends to attend, or is attending (or in the case of a loan or loan guarantee with the lender), a statement of educational purpose (which need not be notarized but which shall include such student's social security number or, if the student does not have a social security number, such student's student identification number) stating that the money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution; and

"(5) be a citizen or national of the United States, a permanent resident of the United States, in the United States for other than a temporary purpose and able to provide evidence from the Immigration and Naturalization Service of his or her intent to become a permanent resident, or a permanent resident of the Trust Territory of the Pacific Islands, Guam, or the Northern Mariana Islands.

"(b) ELIGIBILITY FOR STUDENT LOANS.—In order to be eligible to receive any loan under this title (other than a loan under section 428A, 428B, or 428C) for any period of enrollment, a student who is not a graduate or professional student (as defined in regulations of the Secretary), and who is enrolled in a program at an institution which has a participation agreement with the Secretary to make awards under subpart 1 of part A of this title, shall—

"(1) have received a determination of eligibility or ineligibility for a grant under such subpart 1 for such period of enrollment; or

"(2) have (A) filed an application with the Pell Grant processor for such institution for such enrollment period, and (B) received from the financial aid administrator of the institution a preliminary determination of the student's eligibility or ineligibility for a grant under such subpart 1.

"(c) SATISFACTORY PROGRESS.—(1) For the purpose of subsection (a)(2), a student is maintaining satisfactory progress if—

"(A) the institution at which the student is in attendance, reviews the progress of the student at the end of each academic year, or its equivalent, as determined by the institution, and

"(B) the student has a cumulative C average, or its equivalent or academic standing consistent with the requirements for graduation, as determined by the institution, at the end of the second such academic year.

"(2) Whenever a student fails to meet the eligibility requirements of subsection (a)(2) as a result of the application of this subsection and subsequent to that failure the student has academic standing consistent with the requirements for graduation, as determined by the institution, for any grading period, the student may, subject to this subsection, again be eligible under subsection (a)(2) for a grant, loan, or work assistance under this title.

"(3) Any institution of higher education at which the student is in attendance may waive the provisions of paragraph (1) or paragraph (2) of this subsection for undue hardship based on—

"(A) the death of a relative of the student,

"(B) the personal injury or illness of the student, or

"(C) special circumstances as determined by the institution.

"(d) Ability To Benefit.—A student who is admitted on the basis of the ability to benefit from the education or training in order to remain eligible for any grant, loan, or work assistance under this title shall—

"(1) receive the general education diploma prior to the student's certification or graduation from the program of study, or by the end of the first year of the course of study, whichever is earlier; or

"(2)(A) be counseled prior to admissions or be administered a nationally recognized standardized or industry developed test, subject to criteria developed by the appropriate accrediting association, measuring the applicant's aptitude to complete successfully the program to which he has applied; and

"(B) with respect to applicants who are unable to satisfy the institution's admissions testing requirements specified in subparagraph (A), be enrolled in an institutionally prescribed program or course of remedial or developmental education, not to exceed one academic year or its equivalent.

"(e) Certification for GSL Eligibility.—Each eligible institution may certify student eligibility for a loan by an eligible lender under part B of this title prior to completing the review for accuracy of the information submitted by the applicant required by regulations issued under this title, if—

"(1) checks for the loans are mailed to the eligible institution prior to disbursements;

"(2) the disbursement is not made until the review is complete; and

"(3) the eligible institution has no evidence or documentation on which the institution may base a determination that the information submitted by the applicant is incorrect.

"(f) Verification Limitations.—Notwithstanding any other provision of law, the Secretary may not require, or prescribe regulations that require, institutions to verify the accuracy of data used to determine the eligibility for any program under this title for more than 30 percent of the applicants in any award year.

"(g) Loss of Eligibility for Violation of Loan Limits.—No student shall be eligible to receive any grant, loan, or work assist-

ance under this title if the eligible institution determines that the student borrowed in violation of the annual loan limits under part B or part E of this title in the same academic year, or if the student borrowed in excess of the aggregate maximum loan limits under such part B or part E.

"STATUTE OF LIMITATIONS

"Sec. 484A. (a) In General.—Notwithstanding any provision of State law that would set an earlier deadline for filing suit—

"(1) an institution which receives funds under this title may file suit for collection of a refund due from a student on a grant made or work assistance awarded under this title during a period of time extending at least until a date 6 years (exclusive of periods during which the State statute of limitations period otherwise applicable to the suit would be tolled under State law) after the date the refund first became due;

"(2) a guaranty agency which has an agreement with the Secretary under section 428(c) may file suit for collection of the amount due from a borrower on a loan made under part B of this title during a period of time extending at least until a date 6 years (exclusive of periods during which the State statute of limitations period otherwise applicable to the suit would be tolled under State law) after the date such guaranty agency reimburses the previous holder of the loan for its loss on account of the default of the borrower;

"(3) an institution which has an agreement with the Secretary pursuant to section 463(a) may file suit for collection of the amount due from a borrower on a loan made under part E of this title during a period of time extending at least until a date 6 years (exclusive of periods during which the State statute of limitations period otherwise applicable to the suit would be tolled under State law) after the date of the default of the borrower with respect to that amount; and

"(4) subject to the provisions of section 2416 of title 28 of the United States Code, the Attorney General may file suit—

"(A) for payment of a refund due from a student on a grant made under this title until 6 years following the date on which the refund first became due;

"(B) for collection of the amount due the Secretary from a borrower pursuant to section 428 (c)(2)(D) and (c)(8) of this title until 6 years following the date on which the loan is assigned to the Secretary under part B of this title; and

"(C) for collection of the amount due from a borrower on a loan made under part E until 6 years following the date on which the loan is assigned, transferred, or referred to the Secretary under part E of this title.

"(b) Assessment of Costs and Other Charges.—Notwithstanding any provision of State law to the contrary—

"(1) a borrower who has defaulted on a loan made under this title shall be required to pay, in addition to other charges specified in this title, reasonable collection costs; and

"(2) in collecting any obligation arising from a loan made under part B of this title, a guaranty agency or the Secretary

shall not be subject to a defense raised by any borrower based on a claim of infancy.

"INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS

"SEC. 485. (a) INFORMATION DISSEMINATION ACTIVITIES.—(1) Each eligible institution participating in any program under this title shall carry out information dissemination activities for prospective and enrolled students (including those attending or planning to attend less than full time) regarding the institution and all financial assistance under this title. The information required by this section shall be produced and be made readily available, through appropriate publications and mailings, to all current students, and to any prospective student upon request. The information required by this section shall accurately describe—

"(A) the student financial assistance programs available to students who enroll at such institution;

"(B) the methods by which such assistance is distributed among student recipients who enroll at such institution;

"(C) any means, including forms, by which application for student financial assistance is made and requirements for accurately preparing such application;

"(D) the rights and responsibilities of students receiving financial assistance under this title;

"(E) the cost of attending the institution, including (i) tuition and fees, (ii) books and supplies, (iii) estimates of typical student room and board costs or typical commuting costs, and (iv) any additional cost of the program in which the student is enrolled or expresses a specific interest;

"(F) a statement of the refund policy of the institution for the return of unearned tuition and fees or other refundable portion of cost, as described in subparagraph (E) of this paragraph;

"(G) the academic program of the institution, including (i) the current degree programs and other educational and training programs, (ii) the instructional, laboratory, and other physical plant facilities which relate to the academic program, and (iii) the faculty and other instructional personnel;

"(H) each person designated under subsection (c) of this section, and the methods by which and locations in which any person so designated may be contacted by students and prospective students who are seeking information required by this subsection;

"(I) special facilities and services available to handicapped students;

"(J) the names of associations, agencies, or governmental bodies which accredit, approve, or license the institution and its programs, and the procedures under which any current or prospective student may obtain or review upon request a copy of the documents describing the institution's accreditation, approval, or licensing; and

"(K) the standards which the student must maintain in order to be considered to be making satisfactory progress, pursuant to section 484(a)(2).

"(2) For the purpose of this section, the term 'prospective student' means any individual who has contacted an eligible institution requesting information concerning admission to that institution.

"(b) EXIT COUNSELING FOR BORROWERS.—Each eligible institution shall, through financial aid officers or otherwise, make available counseling to borrowers (individually or in groups) of loans which are made, insured, or guaranteed under part B of this title or made under part E of this title prior to the completion of the course of study for which the borrower enrolled at the institution or at the time of departure from such institution. The counseling required by this subsection shall include—

"(1) general information with respect to the average indebtedness of students who have loans under part B or part E; and

"(2) the average anticipated monthly repayments, a review of the repayment options available, together with such debt and management strategies as the institution determines are designed to facilitate the repayment of such indebtedness.

In the case of a borrower who leaves an institution without the prior knowledge of the institution, the institution shall attempt to provide the information to the student in writing.

"(c) FINANCIAL ASSISTANCE INFORMATION PERSONNEL.—Each eligible institution shall designate an employee or group of employees who shall be available on a full-time basis to assist students or potential students in obtaining information as specified in subsection (a). The Secretary may, by regulation, waive the requirement that an employee or employees be available on a full-time basis for carrying out responsibilities required under this section whenever an institution in which the total enrollment, or the portion of the enrollment participating in programs under this title at that institution, is too small to necessitate such employee or employees being available on a full-time basis. No such waiver may include permission to exempt any such institution from designating a specific individual or a group of individuals to carry out the provisions of this section.

"(d) DEPARTMENTAL PUBLICATION OF DESCRIPTIONS OF ASSISTANCE PROGRAMS.—The Secretary shall make available to eligible institutions, eligible lenders, and secondary schools descriptions of Federal student assistance programs including the rights and responsibilities of student and institutional participants, in order to (1) assist students in gaining information through institutional sources, and (2) assist institutions in carrying out the provisions of this section, so that individual and institutional participants will be fully aware of their rights and responsibilities under such programs. In particular, such information shall include information to enable students and prospective students to assess the debt burden and monthly and total repayment obligations that will be incurred as a result of receiving loans of varying amounts under this title. Such information shall be provided by eligible institutions and eligible lenders at any time that information regarding loan availability is provided to any student.

"COMBINED PAYMENT PLAN

"SEC. 485A. (a) ELIGIBILITY FOR PLAN.—Upon the request of the borrower, a lender described in clause (i), (ii), or (iii) of section

428C(a)(1) of this Act, or defined in subpart I of part C of title VII of the Public Health Service Act may, with respect to a consolidation loan made under section 428C of this Act (and section 439(o) of this Act as in effect prior to the enactment of section 428C) and loans guaranteed under subpart I of part C of title VII of the Public Health Service Act (known as Health Education Assistance Loans), offer a combined payment plan under which the lender shall submit one bill to the borrower for the repayment of all such loans for the monthly or other similar period of repayment.

"(b) Applicability of Other Requirements.—A lender offering a combined payment plan shall comply with all provisions of section 428C applicable to loans consolidated or to be consolidated and shall comply with all provisions of subpart I of part C of title VII of the Public Health Service Act applicable to loans under that subpart which are made part of the combined payment plan, except that a lender offering a combined payment plan under this section may offer consolidation loans pursuant to section 428C(b)(1)(A) if such lender holds any outstanding loan of a borrower which is selected for inclusion in a combined payment plan.

"(c) Lender Eligibility.—Such lender may offer a combined payment plan only if—

> *"(1) the lender holds an outstanding loan of that borrower which is selected by the borrower for incorporation into a combined payment plan pursuant to this section (including loans which are selected by the borrower for consolidation under this section); or*
>
> *"(2) the borrower certifies that the borrower has sought and has been unable to obtain a combined payment plan from the holders of the outstanding loans of that borrower.*

"(d) Borrower Selection of Competing Offers.—In the case of multiple offers by lenders to administer a combined payment plan for a borrower, the borrower shall select from among them the lender to administer the combined payment plan including its loan consolidation component.

"(e) Effect of Plan.—Upon selection of a lender to administer the combined payment plan, the lender may reissue any Health Education Assistance Loan selected by the borrower for incorporation in the combined payment plan which is not held by such lender and the proceeds of such reissued loan shall be paid by the lender to the holder or holders of the loans so selected to discharge the liability on such loans, if—

> *"(1) the lender selected to administer the combined payment plan has determined to its satisfaction, in accordance with reasonable and prudent business practices, for each loan being reissued (A) that the loan is a legal, valid, and binding obligation of the borrower; (B) that each such loan was made and serviced in compliance with applicable laws and regulations; and (C) the insurance on such loan is in full force and effect; and*
>
> *"(2) the loan being reissued was not in default (as defined in section 733(e)(3) of the Public Health Service Act) at the time the request for a combined payment plan is made.*

"(f) Notes and Insurance Certificates.—(1) Each loan reissued under subsection (e) shall be evidenced by a note executed by the bor-

rower. The Secretary of Health and Human Services shall insure such loan under a certificate of comprehensive insurance with no insurance limit, but any such certificate shall only be issued to an authorized holder of loans insured under subpart I of part C of title VII of the Public Health Service Act (including the Student Loan Marketing Association). Such certificates shall provide that all loans reissued under this section shall be fully insured against loss of principal and interest. Any insurance issued with respect to loans reissued under this section shall be excluded from the limitation on maximum insurance authority set forth in section 728(a) of the Public Health Service Act. Notwithstanding the provisions of section 729(a) of the Public Health Service Act, the reissued loan shall be made in an amount, including outstanding principal, capitalized interest, accrued unpaid interest not yet capitalized, and authorized late charges. The proceeds of each such loan will be paid by the lender to the holder of the original loan being reissued and the borrower's obligation to that holder on that loan shall be discharged.

"(2) Except as otherwise specifically provided for under the provisions of this section, the terms of any reissued loan shall be the same as the terms of the original loan. The maximum repayment period for a loan reissued under this section shall not exceed the remainder of the period which would have been permitted on the original loan. If the lender holds more than one loan insured under subpart I of part C of title VII of the Public Health Service Act, the maximum repayment period for all such loans may extend to the latest date permitted for any individual loan. Any reissued loan may be consolidated with any other Health Education Assistance Loan as provided in the Public Health Service Act, and, with the concurrence of the borrower, repayment of any such loans during any period may be made in amounts that are less than the interest that accrues on such loans during that period.

"(g) Termination of Borrower Eligibility.—The status of an individual as an eligible combined payment plan borrower terminates upon receipt of a combined payment plan.

"(h) Fees and Premiums.—No origination fee or insurance premium shall be charged to the borrower on any combined payment plan, and no origination fee or insurance premium shall be payable by the lender to the Secretary of Health and Human Services.

"(i) Commencement of Repayment.—Repayment of a combined payment plan shall commence within 60 days after the later of the date of acceptance of the lender's offer to administer a combined payment plan, the making of the consolidation loan or the reissuance of any Health Education Assistance Loans pursuant to subsection (e).

"NATIONAL STUDENT LOAN DATA SYSTEM

"Sec. 485B. (a) Authority of the Secretary.—In order to assure improved and accurate information on student loan indebtedness and institutional lending practices, and to insure improved compliance with the repayment and loan limitation provisions of this title, the Secretary is authorized to establish and carry out a nationwide computerized student loan data system containing information regarding loans made, insured, or guaranteed under part B

and loans made under part E. The information in the data system shall include—

"(1) the exact amount of such loans made;

"(2) the names, social security numbers, and addresses of the borrowers (and in the case of dependent students the names and addresses of the parents of such students);

"(3) the guaranty agency responsible for the guarantee of the loan in the case of loans made, insured, or guaranteed under part B; and

"(4) the institution of higher education or organization responsible for loans made under part E.

The information to be stored in the student loan data system established by this subsection shall be furnished by guaranty agencies for loans made, insured, or guaranteed under part B and by institutions of higher education for loans made under part E.

"(b) ACCESS TO INFORMATION.—(1) Subject to the provisions of paragraphs (2) and (3), and notwithstanding the provisions of section 552(a) of title 5, United States Code, relating to freedom of information, access to information in the data system established and maintained pursuant to subsection (a) of this section shall be restricted to individuals and Federal agencies, specifically authorized by the Secretary to have such access.

"(2) In carrying out this subsection, the Secretary shall approve access to information for—

"(A) research on student loan practices, student and parental indebtedness, repayment and debt collection trends, Federal costs associated with the guaranteed student loan program under part B of this title, including the cost of interest subsidies and special allowance payments;

"(B) the improvement of Federal debt collection practices and Federal criminal prosecutions under this title, relating to loans made, insured, or guaranteed under part B or loans under part E of this title;

"(C) furnishing information in response to an official request made by any committee of the Congress; and

"(D) any guaranty agency under part B, except that such access shall be limited to the name, social security number, and the amount of indebtedness, including the amount borrowed each year, of a borrower for whom the guaranty agency provides insurance.

"(3) No name, address, or social security number of any individual borrower may be made available to any requesting individual, Federal agency, or organization, unless the Secretary determines that the request is connected with the enforcement or debt collection responsibilities imposed by Federal law on such individual, agency, or organization.

"(4) In carrying out this subsection, the Secretary shall require semiannual reports (containing the information set forth in subsection (a) (1) and (2)) from each guaranty agency responsible for the guarantee of loans made, insured, or guaranteed under part B and any institution of higher education or proprietary institution responsible for a loan made under part E.

"(c) VERIFICATION NOT REQUIRED.—The Secretary shall not require lenders, guaranty agencies, or institutions of higher education

to verify information or obtain eligibility or other information through the National Student Loan Data System prior to making, guaranteeing, or certifying a loan under part B or part E.

"(d) REPORT TO CONGRESS.—The Secretary shall prepare and submit to the Congress twice in each fiscal year a report describing the results obtained by the establishment and operation of the student loan data system authorized by this section.

"TRAINING IN FINANCIAL AID AND STUDENT SUPPORT SERVICES

"SEC. 486. (a) PROGRAM AUTHORITY.—The Secretary is authorized to enter into contracts with appropriate public agencies or nonprofit private organizations or institutions of higher education to provide training for financial aid administrators, student peer counselors, student staff or volunteers, and other part-time staff and volunteers who provide financial aid, admissions and academic counseling and outreach, and student support programs in postsecondary education in postsecondary institutions, communities, or statewide programs.

"(b) USE OF FUNDS.—Financial assistance under this section may be used for—

"(1) development of materials and in-service training and career awareness programs;

"(2) operation of short-term training institutes designed to improve the skills and career awareness of participants in such institutes; and

"(3) special programs to assist in training of students and part-time staff or volunteers at institutions eligible for assistance under title III of this Act.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $1,000,000 to carry out the provisions of this section for fiscal year 1987 and for each of the succeeding fiscal years ending prior to October 1, 1991.

"PROGRAM PARTICIPATION AGREEMENTS

"SEC. 487. (a) REQUIRED FOR PROGRAMS OF ASSISTANCE; CONTENTS.—In order to be an eligible institution for the purposes of any program authorized under this title, an institution must be an institution of higher education or an eligible institution (as that term is defined for the purpose of that program) and shall, except with respect to a program under subpart 7 of part A, enter into a program participation agreement with the Secretary. The agreement shall condition the initial and continuing eligibility of an institution to participate in a program upon compliance with the following requirements:

"(1) The institution will use funds received by it for any program under this title and any interest or other earnings thereon solely for the purpose specified in and in accordance with the provision of that program.

"(2) The institution shall not charge any student a fee for processing or handling any application, form, or data required to determine the student's eligibility for assistance under this title or the amount of such assistance, or for completing or han-

dling the Federal Student Assistance Report provided for in section 483(e).

"(3) The institution will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under this title.

"(4) The institution will comply with the provisions of subsection (b) of this section and the regulations prescribed under that subsection, relating to fiscal eligibility.

"(5) The institution will submit reports to the Secretary and, in the case of an institution participating in a program under part B or part E, to holders of loans made to the institution's students under such parts at such times and containing such information as the Secretary may reasonably require to carry out the purpose of this title.

"(6) The institution will not provide any student with any statement or certification to any lender under part B that qualifies the student for a loan or loans in excess of the amount that student is eligible to borrow in accordance with sections 425(a), 428(a)(2), and 428(b)(1) (A) and (B).

"(7) The institution will comply with the requirements of section 485.

"(8) In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, the institution will make available to prospective students, at or before the time of application, the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements.

"(9) In the case of an institution participating in a program under part B, the institution will inform all eligible borrowers enrolled in the institution about the availability and eligibility of such borrowers for State grant assistance from the State in which the institution is located, and will inform such borrowers from another State of the source for further information concerning such assistance from that State.

"(10) The institution certifies that it has in operation a drug abuse prevention program that is determined by the institution to be accessible to any officer, employee, or student at the institution.

"(b) HEARINGS.—(1) An institution that has received written notice of a final audit or program review determination and that desires to have such determination reviewed by the Secretary shall submit to the Secretary a written request for review not later than 45 days after receipt of notification of the final audit or program review determination.

"(2) The Secretary shall, upon receipt of written notice under paragraph (1), arrange for a hearing on the record and notify the institution within 30 days of receipt of such notice the date, time, and place of such hearing. Such hearing shall take place not later than 120 days from the date upon which the Secretary notifies the institution.

"(c) AUDITS; FINANCIAL RESPONSIBILITY; ENFORCEMENT OF STANDARDS.—(1) Notwithstanding any other provisions of this title, the

Secretary is authorized to prescribe such regulations as may be necessary to provide for—

"(A)(i) except as provided in clause (ii), a financial and compliance audit of an eligible institution, with regard to any funds obtained by it under this title or obtained from a student or a parent who has a loan insured or guaranteed by the Secretary under this title, at least once every 2 years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organization, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

"(ii) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period covered by such audit;

"(B) in matters not governed by specific program provisions, the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid under this title;

"(C) the establishment, by each eligible institution under part B responsible for furnishing to the lender the statement required by section 428(a)(2)(A)(i), of policies and procedures by which the latest known address and enrollment status of any student who has had a loan insured under this part and who has either formally terminated his enrollment, or failed to reenroll on at least a half-time basis, at such institution, shall be furnished either to the holder (or if unknown, the insurer) of the note, not later than 60 days after such termination or failure to reenroll; and

"(D) the limitation, suspension, or termination of the eligibility for any program under this title of any otherwise eligible institution, or the imposition of a civil penalty under paragraph (2)(B) whenever the Secretary has determined, after reasonable notice and opportunity for hearing on the record, that such institution has violated or failed to carry out any provision of this title or any regulation prescribed under this title, except that no period of suspension under this section shall exceed 60 days unless the institution and the Secretary agree to an extension or unless limitation or termination proceedings are initiated by the Secretary within that period of time.

"(2)(A) Upon determination, after reasonable notice and opportunity for a hearing on the record, that an eligible institution has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates, the Secretary may suspend or terminate the eligibility status for any or all programs under this title of any otherwise eligible institution, in accordance with procedures specified in paragraph (1)(D) of this subsection, until the Secretary finds that such practices have been corrected.

"(B)(i) Upon determination, after reasonable notice and opportunity for a hearing on the record, that an eligible institution—

"(I) has violated or failed to carry out any provision of this title or any regulation prescribed under this title; or

"(II) has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, and the employability of its graduates,

the Secretary may impose a civil penalty upon such institution of not to exceed $25,000 for each violation or misrepresentation.

"(ii) Any civil penalty may be compromised by the Secretary. In determining the amount of such penalty, or the amount agreed upon in compromise, the appropriateness of the penalty to the size of the institution of higher education subject to the determination, and the gravity of the violation, failure, or misrepresentation shall be considered. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing by the United States to the institution charged.

"(3) The Secretary shall publish a list of State agencies which the Secretary determines to be reliable authority as to the quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistance programs.

"(d) DEFINITION OF ELIGIBLE INSTITUTION.—For the purpose of this section, the term 'eligible institution' means any such institution described in section 435(a) of this Act.

"TRANSFER OF ALLOTMENTS

"SEC. 488. Up to 10 percent of the allotment of an eligible institution for a fiscal year under section 413D or 446 of this Act, may be transferred to, and used for the purposes of, the institution's allotment under the other section within the discretion of such institution in order to offer an arrangement of types of aid, including institutional and State aid, which best fits the needs of each individual student. The Secretary shall have no control over such transfer, except as specifically authorized, except for the collection and dissemination of information.

"ADMINISTRATIVE EXPENSES

"SEC. 489. (a) AMOUNT OF PAYMENTS.—From the sums appropriated for any fiscal year for the purpose of the program authorized under subpart 1 of part A, the Secretary shall reserve such sums as may be necessary to pay to each institution with which he has an agreement under section 487, an amount equal to $5 for each student at that institution who receives assistance under subpart 1 of part A. In addition, an institution which has entered into an agreement with the Secretary under subpart 2 of part A or part C (other than section 448), of this title or under part E of this title shall be entitled for each fiscal year which such institution disburses funds to eligible students under any such part to a payment for the purpose set forth in subsection (b). The payment for a fiscal year shall be payable from each such allotment by payment in accordance with regulations of the Secretary and shall be equal to 5 percent of the institution's first $2,750,000 of expenditures plus 4 percent of the institution's expenditures greater than $2,750,000 and less than $5,500,000, plus 3 percent of the institution's expenditures in excess

of $5,500,000 during the fiscal year from the sum of its grants to students under subpart 2 of part A, its expenditures during such fiscal year under part C for compensation of students, and the principal amount of loans made during such fiscal year from its student loan fund established under part E, excluding the principal amount of any such loans which the institution has agreed to assign under section 463(a)(6)(B). The payment for a fiscal year for the purpose of subsection (b) with respect to section 447 shall be payable from each allotment under part C in accordance with regulations of the Secretary, and shall be 10 percent of the institution's expenditures during such fiscal year under such section.

"(b) Purpose of Payments.—The sums paid to institutions under this part are for the sole purpose of offsetting the administrative costs of the programs described in subsection (a).

"CRIMINAL PENALTIES

"Sec. 490. (a) In General.—Any person who knowingly and willfully embezzles, misapplies, steals, or obtains by fraud, false statement, or forgery any funds, assets, or property provided or insured under this title shall be fined not more than $10,000 or imprisoned for not more than 5 years, or both; but if the amount so embezzled, misapplied, stolen, or obtained by fraud, false statement, or forgery does not exceed $200, the fine shall not be more than $1,000 and imprisonment shall not exceed one year, or both.

"(b) Assignment of Loans.—Any person who knowingly and willfully makes any false statement, furnishes any false information, or conceals any material information in connection with the assignment of a loan which is made or insured under this title shall, upon conviction thereof, be fined not more than $1,000 or imprisoned not more than one year, or both.

"(c) Inducements To Lend or Assign.—Any person who knowingly and willfully makes an unlawful payment to an eligible lender under part B as an inducement to make, or to acquire by assignment, a loan insured under that part shall, upon conviction thereof, be fined not more than $1,000 or imprisoned not more than one year, or both.

"(d) Obstruction of Justice.—Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under this title with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under this part, shall upon conviction thereof, be fined not more than $10,000 or imprisoned not more than 5 years, or both.

"ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

"Sec. 491. (a) Establishment and Purpose.—(1) There is established in the Department an independent Advisory Committee on Student Financial Assistance (hereafter in this section referred to as the 'Advisory Committee') which shall provide advice and counsel to the Congress and to the Secretary on student financial aid matters.

"(2) The purpose of the Advisory Committee is—

"(A) to provide extensive knowledge and understanding of the Federal, State, and institutional programs of postsecondary student assistance;

"(B) to provide technical expertise with regard to systems of needs analysis and application forms; and

"(C) to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students.

"(b) Independence of Advisory Committee.—In the exercise of its functions, powers, and duties, the Advisory Committee shall be independent of the Secretary and the other offices and officers of the Department. The recommendations of the Committee shall not be subject to review or approval by any officer in the executive branch, but may be submitted to the Secretary for comment prior to submission to the Congress in accordance with subsection (f).

"(c) Membership.—(1) The Advisory Committee shall have 11 members of which—

"(A) 3 members shall be appointed by the President pro tempore of the Senate upon the recommendation of the Majority Leader and the Minority Leader,

"(B) 3 members shall be appointed by the Speaker of the House of Representatives upon the recommendation of the Majority Leader and the Minority Leader, and

"(C) 5 members shall be appointed by the Secretary including, but not limited to representatives of States, institutions of higher education, secondary schools, credit institutions, students, and parents.

"(2) Not less than 7 members of the Advisory Committee shall be individuals who have been appointed on the basis of technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies.

"(d) Functions of the Committee.—The Advisory Committee shall—

"(1) develop, review, and comment annually upon the system of needs analysis established under sections 411A through 411E and part F of this title;

"(2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements;

"(3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the delivery of student aid and in assessing the impact of legislative and administrative policy proposals;

"(4) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations;

"(5) recommend to the Congress and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met, but nothing in this section shall authorize the committee to perform such studies, surveys, or analyses;

"(6) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs; and

"(7) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs.

"(e) Operations of the Committee.—(1) Each member of the Advisory Committee shall be appointed for a term of 3 years, except that, of the members first appointed—

"(A) 4 shall be appointed for a term of 1 year;

"(B) 4 shall be appointed for a term of 2 years; and

"(C) 3 shall be appointed for a term of 3 years,

as designated at the time of appointment by the Secretary.

"(2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the Advisory Committee shall, upon request, continue to serve after the expiration of a term until a successor has been appointed. A member of the Advisory Committee may be reappointed to successive terms on the Advisory Committee.

"(3) The Advisory Committee shall elect a Chairman and a Vice Chairman from among its members.

"(4) Six members of the Advisory Committee shall constitute a quorum.

"(5) The Advisory Committee shall meet at the call of the Chairman or a majority of its members.

"(f) Submission to Department for Comment.—The Advisory Committee may submit its proposed recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

"(g) Compensation and Expenses.—(1) Members of the Advisory Committee who are officers or full-time employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States; but they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(2) Members of the Advisory Committee who are not officers or full-time employees of the United States may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(h) Personnel and Resources.—(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subtitle III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule.

"(2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of

State and local governments, and private organizations to the extent feasible.

"(3)(A) The Advisory Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Advisory Committee, upon request made by the Chairman.

"(B) The Advisory Committee may enter into contracts for the acquisition of information, suggestions, estimates, and statistics for the purpose of this section.

"(4) The Advisory Committee is authorized to obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code.

"(5) The head of each Federal agency shall, to the extent not prohibited by law, cooperate with the Advisory Committee in carrying out this section.

"(6) The Advisory Committee is authorized to utilize, with their consent, the services, personnel, information, and facilities of other Federal, State, local, and private agencies with or without reimbursement.

"(i) Availability of Funds.—An amount, not to exceed $500,000 in any fiscal year, shall be available from the amount appropriated for each such fiscal year from salaries and expenses of the Department for the costs of carrying out the provisions of this section.".

(b) Effective Dates.—(1) Sections 483(e) and 484(d) of the Act as amended by this section shall apply to student assistance awarded for periods of enrollment beginning on or after July 1, 1987.

(2) The changes made in section 484(a)(1) of the Act shall apply to student assistance awarded for periods of enrollment beginning on or after July 1, 1987.

(3) Section 484(c) of the Act as amended by this section shall apply only to student assistance awarded for periods of enrollment beginning on or after July 1, 1987, to individuals who were not awarded such assistance for any preceding period of enrollment.

(4) Sections 484(f), 485(b), and 487(a)(10) of the Act as amended by this section shall apply only to periods of enrollment beginning on or after July 1, 1987.

SEC. 408. CONFORMING PROVISIONS.

(a) Application of Student Financial Assistance Technical Amendments to Academic Years 1986-1987, and 1987-1988.—The Student Financial Assistance Technical Amendments Act of 1982 is amended—

(1) in sections 3, 4, and 6 by striking out "and 1986-1987" each place it appears and inserting in lieu thereof "1986-1989, and 1987-1988";

(2) in section 5, by striking out "and 1986-1987" each place it appears and inserting in lieu thereof "1986-1989, and 1987-1988" in subsections (a), (b)(1), and (c);

(3) in section 5(b)(2), by striking out "and" at the end of subparagraph (B), by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and", and by inserting after such paragraph the following new subparagraph:

"(D) for the period from October 1, 1984, through September 30, 1985, and the arithmetic mean of such index for the period from October 1, 1985, through September 30, 1986, in the case of academic year 1987-1988.";

(4) in section 5(b)(3)—

(A) by striking out "1985-1986), and" and inserting in lieu thereof "1985-1986),"; and

(B) by inserting before the period at the end thereof the following: ", and immediately after such publication for September 1986 (with respect to academic year 1987-1988)";

(5) in section 5(d), by striking out "and" at the end of paragraph (2), by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by inserting after such paragraph the following new paragraph:

"(4) not later than April 1, 1986, for academic year 1987-1988.";

(6) in section 9(a)—

(A) by inserting "and" after "June 30, 1987"; and

(B) by striking out "from July 1, 1988, through June 30, 1989, and from July 1, 1989, through June 30, 1990,"; and

(7) in section 9(c), by inserting "and" at the end of paragraph (4) and by striking out paragraphs (6) and (7).

(b) REPEAL.—Effective with respect to any academic year beginning on or after July 1, 1988, the Student Financial Assistance Technical Amendments Act of 1982 is repealed.

TITLE V—TEACHER TRAINING AND DEVELOPMENT

SEC. 501. REVISION OF TITLE V.

(a) AMENDMENT.—Title V of the Act is amended to read as follows:

"TITLE V—EDUCATOR RECRUITMENT, RETENTION, AND DEVELOPMENT

"STATEMENT OF PURPOSE; APPLICABILITY

"SEC. 501. It is the purpose of this title—

"(1) to encourage the establishment and maintenance of programs that provide teacher training to individuals who are moving to careers in education from other occupations;

"(2) to promote university partnerships with local education agencies serving at-risk students, providing stronger linkages between teachers and such students, and with local labor, business, and professional associations;

"(3) to provide assistance to our Nation's teaching force for the continued improvement of their professional skills and expansion of their subject matter expertise, including pre-school and early childhood education specialists;

"(4) to improve the leadership and administrative skills of elementary and secondary school administrators;

"(5) to encourage academically qualified students to become teachers through scholarship assistance; and

"(6) to encourage States to assess their need for teachers and to plan for meeting current and projected teacher shortages.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 302. (a) MID-CAREER TEACHER TRAINING PROGRAMS.—For part A, there are authorized to be appropriated $2,500,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(b) SCHOOL, COLLEGE, AND UNIVERSITY PARTNERSHIPS.—For part B, there are authorized to be appropriated $15,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(c) PROFESSIONAL DEVELOPMENT AND LEADERSHIP PROGRAMS.—(1) For subpart 1 of part C, there are authorized to be appropriated $15,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(2) For subpart 2 of part C, there are authorized to be appropriated $10,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(d) TEACHER SCHOLARSHIPS AND FELLOWSHIPS.—(1) For subpart 1 of part D, there are authorized to be appropriated $12,500,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(2) For subpart 2 of part D, there are authorized to be appropriated $2,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(e) TASK FORCES ON TEACHER EDUCATION.—For part E, there are authorized to be appropriated $1,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"PART A—MIDCAREER TEACHER TRAINING FOR NONTRADITIONAL STUDENTS

"STATEMENT OF PURPOSE

"SEC. 311. It is the purpose of this part to encourage institutions of higher education with schools or departments of education to establish and maintain programs that will provide teacher training to individuals who are moving to a career in education from another occupation.

"SELECTION PROCEDURES

"SEC. 312. From the funds available for this part, the Secretary shall make grants to institutions of higher education on the basis of the competitive selection among qualifying applications. Institutions selected as recipients shall be awarded (1) an initial planning grant for use during the first 2 fiscal years after selection, and (2) for institutions demonstrating successful performance with the planning grant, a renewal grant for use during not more than 2 additional years.

"APPLICATIONS

"SEC. 513. (a) CONTENTS OF APPLICATIONS.—Applications for grants under this part shall demonstrate that—

"(1) the applicant will establish and maintain a program of midcareer teacher retraining designed to prepare individuals for teacher certification requirements who already have a baccalaureate or advanced degree and job experience in education-related fields of study, including pre-school and early childhood education;

"(2) the applicant has designed a program which includes at least the following elements:

"(A) a screening mechanism to assure that individuals who are admitted to the program possess the current subject matter knowledge and the characteristics that would make them likely to succeed as classroom teachers;

"(B) a clear set of program goals and expectations which are communicated to participants; and

"(C) a curriculum that, when successfully completed, will provide participants with the skills and credentials needed to teach in specific subject areas, as well as a realistic perspective on the educational process;

"(3) the program has been developed with the cooperation and assistance of the local business community;

"(4) the program will be operated under a cooperative agreement between the institution and one or more State or local educational agencies; and

"(5) the program will be designed and operated with the active participation of qualified classroom teachers, including early childhood education specialists, and will include an in-service training component and follow-up assistance.

"(b) REVIEW OF APPLICATIONS.—Applications for grants under this part shall be reviewed by a panel of experts in teacher training designated by the Secretary. The Secretary shall, to the extent of available funds, select at least one applicant from each of the 10 regions served by the Department and assure that programs offered reflect all significant areas of national need in which shortages exist.

"AMOUNT OF GRANTS

"SEC. 514. The initial planning grant to an institution of higher education under this part shall not exceed $100,000 for the 2 years for which it is available. The renewal grant to an institution under this part shall not exceed $50,000 for each of the two years for which it is available.

"REPORTS AND INFORMATION

"SEC. 515. Each institution of higher education that receives a grant under this part shall submit to the Secretary such reports and other information on the program it conducts under this part as the Secretary deems necessary. The Secretary shall disseminate such information to other institutions of higher education for the purpose of promoting greater use of midcareer teacher training programs without direct Federal financial assistance.

"PART B—SCHOOL, COLLEGE, AND UNIVERSITY PARTNERSHIPS

"PURPOSE

"SEC. 321. It is the purpose of this part to encourage partnerships between institutions of higher education and secondary schools serving low-income students, to support programs that improve the academic skills of public and private nonprofit secondary school students, increase their opportunity to continue a program of education after secondary school and improve their prospects for employment after secondary school.

"PARTNERSHIP AGREEMENT

"SEC. 322. (a) PARTNERSHIP AGREEMENT.—To be eligible for a grant under this part, an institution of higher education and a local education agency must enter into a written partnership agreement. A partnership may include businesses, labor organizations, professional associations, community-based organizations, or other private or public agencies or associations. All partners shall sign the agreement.

"(b) CONTENTS OF AGREEMENT.—The agreement shall include—

"(1) a listing of all participants in the partnership;

"(2) a description of the responsibilities of each participant in the partnership; and

"(3) a listing of the resources to be contributed by each participant in the partnership.

"GRANTS

"SEC. 323. (a) DIVISION BETWEEN SCHOOL-YEAR AND SUMMER PROGRAMS.—From the funds appropriated for this part pursuant to section 303(b), the Secretary shall reserve 67 percent to carry out programs operating during the regular school year and 33 percent to carry out programs operating during the summer.

"(b) AMOUNT AND USE OF GRANTS.—From such funds, the Secretary shall make grants of no less than $150,000 and no more than $1,000,000. The grants may be used by the partnership for programs that—

"(1) use college students to tutor secondary school students and improve their basic academic skills;

"(2) are designed to improve the basic academic skills of secondary school students;

"(3) are designed to increase the understanding of specific subjects of secondary school students;

"(4) are designed to improve the opportunity to continue a program of education after graduation for secondary school students; and

"(5) are designed to increase the prospects for employment after graduation of secondary school students.

"(c) PREFERENCES.—In making grants under this part, the Secretary shall give a preference to—

"(1) programs which will serve predominantly low-income communities;

"(2) partnerships which will run programs during the regular school year and the summer; and

"(3) programs which will serve educationally disadvantaged students, potential dropouts, pregnant adolescents, and teen parents, or children of migratory agricultural workers or of migratory fishermen.

"APPLICATION FOR GRANTS

"Sec. 334. (a) Application Required.—A partnership desiring to receive a grant under this part shall submit an application to the Secretary.

"(b) Contents of Application.—The application shall include—

"(1) the written and signed partnership agreement;

"(2) a listing of the public and private nonprofit secondary school or schools to be involved in the program;

"(3) a description of the programs to be developed and operated by the partnership;

"(4) assurances to the Secretary that—

"(A) the partnership will establish a governing body including one representative of each participant in the partnership;

"(B) Federal funds will provide no more than 75 percent of the cost of the project in the first year, 60 percent of such costs in the second year, and 50 percent of such costs in the third year and any subsequent year;

"(C) a local educational agency receiving funds under this subpart shall not reduce its combined fiscal effort per student or its aggregate expenditure on education; and

"(D) a local educational agency receiving funds under this part shall use the Federal funds so as to supplement and, to the extent practical, increase the resources that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of students participating in the project, and in no case may funds be used to supplant such non-Federal funds; and

"(5) provide such information and meet such conditions as may be required by the Secretary.

"COMMUNITY COLLEGE PILOT PROJECT

"Sec. 335. (a) Program Authorized.—In addition to the grants awarded under section 333, the Secretary is authorized to award 5 grants for pilot community college partnership projects under this section.

"(b) Partnership Agreements.—To be eligible for a grant under this section, a community college shall enter into a partnership agreement in accordance with section 332 with a local educational agency and at least one local business or industry.

"(c) Amount and Use of Grants.—Grants under this section shall be no less than $100,000. The grants may be used by the partnership for programs that—

"(1) use college students to tutor secondary school students and improve their basic academic skills;

"(2) are designed to improve the basic academic skills of secondary school students.

"(1) are designed to increase the understanding of specific subjects of secondary school students;

"(2) are designed to improve the opportunity to continue a program of education after graduation for secondary school students; and

"(3) are designed to increase the prospects for employment after graduation of secondary school students.

"(d) APPLICATION.—To receive a grant under this section, a community college shall submit an application in accordance with section 511(b).

"(e) AWARD OF GRANTS.—In making awards under this section, the Secretary shall give preference to applications indicating that the business or industry partner is engaged in technological or aerospace activities.

"(f) ELIGIBLE INSTITUTIONS.—The institutions which may be awarded grants under this section are—

"(1) the Wayne County Community College of Wayne County, Michigan;

"(2) the Community College of Vermont;

"(3) the Compton Community College of Compton, California; and

"(4) the Metropolitan Community College of Kansas City, Missouri.

"(g) REPORTS AND INFORMATION.—Each community college that receives a grant under this subpart for establishing pilot projects shall submit to the Secretary such reports and other information as is requested in order to evaluate program effectiveness and to disseminate information on exemplary programs to other community colleges, area vocational-technical schools, and other institutions of higher education, for the purposes of promoting greater use of university-secondary school partnerships without direct Federal financial assistance.

"PART C—PROFESSIONAL DEVELOPMENT AND LEADERSHIP PROGRAMS

"SUBPART 1—PROFESSIONAL DEVELOPMENT RESOURCE CENTERS

"PROGRAM AUTHORITY AND PURPOSE

"SEC. 521. (a) AUTHORITY.—(1) The Secretary is authorized to make grants under this subpart to pay the Federal share of programs to assist teachers from public and private nonprofit schools in the continuous improvement of their professional skills and the expansion and updating of their subject matter expertise by establishing professional development resource centers for teachers.

"(2) The Federal share for each fiscal year shall be 50 percent.

"(b) PURPOSE.—It is the purpose of this subpart to assist in the establishment of professional development resource centers that will—

"(1) help teachers make effective use of educational tools including understanding new technologies and their application;

"(2) enhance teachers' subject matter expertise;

"(3) help teachers learn new classroom management techniques;

"(4) help teachers learn and apply the latest research on learning and teaching, including preschool and early childhood education and development; and

"(5) help teachers to apply creative approaches toward achieving instructional goals, including making the best use of available community resources.

"GEOGRAPHICAL DISTRIBUTION OF GRANTS

"SEC. 532. In making grants under this subpart, the Secretary shall ensure that eligible applicants within each State receive sufficient funds to plan, establish, or operate at least one professional development resource center within the State in each fiscal year.

"GRANT REQUIREMENTS

"SEC. 533. (a) FUNDING AUTHORIZED.—The Secretary is authorized to make grants to local educational agencies or consortia of local educational agencies, in accordance with the provisions of this section, to assist such agencies in planning, establishing, and operating professional development resource centers.

"(b) DEFINITION OF CENTERS.—For the purpose of this part, the term 'professional development resource centers' means any instructional program operated by a local educational agency, a combination of such agencies, or an educational service agency which serves teachers from public and private nonprofit schools, including preschool and early childhood educational specialists, in a State or from an area or community within a State. Through the centers, teachers, with the assistance of such consultants and experts as may be necessary, including expertise available at institutions of higher education, shall conduct activities to advance the goal of professional excellence and to improve teaching skills for the teachers they serve.

"(c) USE OF FUNDS.—Grants under this subpart may be used for—

"(1) developing and disseminating curricula designed to meet the educational needs of students in pre-school and kindergarten through grade 12 in the community, area, or State being served, including the use of educational research findings or new or improved methods, practices, and techniques in the development of such curricula, and including the use of technology and telecommunications;

"(2) providing training to enable teachers to better meet the educational needs of students, including preschool students, and to familiarize teachers with developments in curriculum, testing, and educational research including the manner in which the research can be used to improve classroom instruction;

"(3) providing for dissemination of information to those served by the center and to other professional development resource centers nationally about the activities and services of the centers;

"(4) bringing together teachers and mentors from various school areas to serve as resources for teachers using the center;

"(5) encouraging collaborative activities between pre-school, elementary and secondary school teachers and faculty at institutions of higher education;

"(6) encouraging the application of institutional and community resources to the goal of improving the quality of classroom instruction; and

"(7) providing professional development opportunities for teachers of special population groups (pre-school, handicapped children, limited English proficient children, educationally and economically disadvantaged children) in rural settings.

"PROFESSIONAL DEVELOPMENT POLICY BOARD

"SEC. 534. Each professional development resource center shall be planned and operated under the supervision of a professional development policy board, the majority of which shall be representatives or designees of the public and private nonprofit, pre-school, elementary and secondary classroom teachers to be served by such center. Such board shall also include individuals representative of, or designated by, school administrators, the school board (or boards) of the local educational agency (or agencies) served by such center, local business, and at least one representative designated by institutions of higher education, when such institutions are located within reasonable proximity of the center, including (but not limited to) institutions that have departments, schools, or colleges of education.

"SUBMISSION AND APPROVAL OF APPLICATIONS

"SEC. 535. (a) SUBMISSION.—(1) Any local educational agency or any consortium of local educational agencies including educational service agencies, desiring to receive a grant under this subpart shall make application therefor at such time, in such manner, and containing or accompanied by such information, as the Secretary may by regulation require. Each application shall be submitted through the State educational agency of the State in which the applicant is located. Each such State agency shall review the application, make comments thereon, and recommend each application the State agency finds should be approved. The recommendations of the State education agency shall be taken into consideration by the Secretary in awarding grants under this part.

"(2) Each State education agency, in reviewing local educational agency applications for a grant under this subpart, shall seek to assure an equitable within-State geographical distribution of center grant funds so that both large urban and small rural school districts are served.

"(b) MINIMUM REQUIREMENTS.—A grant under this subpart may be made only if the application provides—

"(1) satisfactory assurances that the program designed for the professional development resource center is based on a thorough assessment of instructional and professional development needs identified by the teachers to be served, including early childhood educational specialists, and establishes goals for the center derived from such assessment;

"(2) satisfactory assurances that the program the center plans to provide will meet the needs of the teachers served, including

assurances that center activities will lead to in-depth and incremental knowledge and skill development;

"(3) a description of the activities planned to meet the center's goals;

"(4) procedures for the conduct of a yearly evaluation of center activities;

"(5) satisfactory assurances that the center will employ a full-time center director who has had classroom teaching experience and other staff as may be necessary;

"(6) satisfactory assurances that the applicant will pay the non-Federal share of the cost of the program for which assistance is sought and that 50 percent of such non-Federal share shall be paid by the State educational agency and 50 percent of the non-Federal share shall be from local resources, including institutions of higher education and other public and private non-Federal sources; and

"(7) satisfactory assurances that the facilities of the center will not be used for the purpose of influencing the result of an election to an office in Federal, State, or local government or for the purpose of supporting or opposing any campaign for such office.

"(c) Selection Procedures.—(1) In approving any application under this subpart, the Secretary shall take into account the resources which the applicant will provide in addition to Federal funds provided under this or any other Federal program.

"(2) In approving applications under this subpart, the Secretary shall substantially involve teachers, including early childhood educational specialists, in reviewing and recommending programs for funding.

"(d) Subcontracting.—Any local educational agency having an application approved under this subpart may contract with an institution of higher education to carry out activities under, or provide technical assistance in connection with, such application.

"(e) Reservation for Direct Expenditures.—Notwithstanding the provisions of subsection (a)(1) of this section with respect to the requirement that professional development resource centers be operated by local educational agencies, 10 percent of the funds expended under this subpart may be expended directly by the Secretary to make grants to institutions of higher education to operate professional development resource centers, subject to the other provisions of this subpart.

"Subpart 2—Leadership in Educational Administration Development

"PURPOSE; INTENTION; REGULATIONS

"Sec. 541. (a) Purpose.—It is the purpose of this subpart to improve the level of student achievement in public and private nonprofit elementary and secondary schools through the enhancement of the leadership skills of school administrators by establishing technical assistance centers for each State to promote the development of the leadership skills of public and private nonprofit elementary and secondary school administrators with particular emphasis

upon increasing access for minorities and women to administrative positions.

"(b) INTENTION.—It is the intention of Congress that contractors seeking to establish technical assistance and training centers should design programs which upgrade the skills of elementary and secondary school administrators in—

"(1) enhancing the schoolwide learning environment by assessing the school climate, setting clear goals for improvement, and devising strategies for completing manageable projects with measurable objectives;

"(2) evaluating the school curriculum in order to assess its effectiveness in meeting academic goals;

"(3) developing skills in instructional analysis to improve the quality of teaching through classroom observation and supervision;

"(4) mastering and implementing objective techniques for evaluating teacher performance; and

"(5) improving communication, problemsolving, student discipline, time-management, and budgetary skills.

"(c) REGULATIONS.—The Secretary is authorized to prescribe such regulations as may be necessary to carry out this subpart.

"ALLOCATION OF APPROPRIATIONS

"SEC. 542. Of the amount appropriated for this subpart for any fiscal year, the Secretary shall make available an amount as may be necessary for establishing and operating a technical assistance center in each State, but not less than $150,000 for each State.

"TECHNICAL ASSISTANCE CENTERS

"SEC. 543. (a) ELIGIBLE CONTRACTS RECIPIENTS.—The Secretary shall, subject to the availability of funds pursuant to section 542, enter into contracts with local educational agencies, intermediate school districts, State educational agencies, institutions of higher education, private management organizations, or nonprofit organizations (or consortium of such entities) for the establishment and operation of training centers in each State in accordance with the requirements of this section and section 544.

"(b) CONTRACT REQUIREMENTS.—Each contract entered into under subsection (a) shall require the contractor—

"(1) to make the services of the technical assistance center available to school administrators from any of the public and private nonprofit schools within the State served by that contractor;

"(2) to collect information on school leadership skills;

"(3) to assess the leadership skills of individual participants based on established effective leadership criteria;

"(4) to conduct training programs on leadership skills for new school administrators and to conduct training seminars on leadership skills for practicing school administrators, with particular emphasis on women and minority administrators;

"(5) to operate consulting programs to provide personnel within school districts with advice and guidance on leadership skills;

"(6) to maintain training curricula and materials on leadership skills drawing on expertise in business, academia, civilian and military governmental agencies, and existing effective schools;

"(7) to conduct programs which—

"(A) make available executives from business, scholars from various institutions of higher education, and practicing school administrators; and

"(B) offer internships in business, industry, and effective school districts to school administrators,

for the purpose of promoting improved leadership skills of such administrators;

"(8) to disseminate information on leadership skills associated with effective schools; and

"(9) to establish model administrator projects.

"(c) SELECTION OF CONTRACTORS.—In making a selection among applicants for any contract under this section, the Secretary shall take into account whether the applicant, if selected, would be able to operate its programs in a manner which would emphasize development of leadership skills identified by graduate schools of management and graduate schools of education.

"GENERAL CRITERIA FOR CONTRACTS

"SEC. 544. (a) CONTRACT REQUIREMENTS.—The following criteria shall apply to each contract under this subpart:

"(1) The contract shall assure the involvement of private sector managers and executives in the conduct of such programs.

"(2) The contract shall contain assurances of an ongoing organizational commitment to carrying out the purposes of this subpart through (A) obtaining matching funds for such programs in cash or in kind at least equal in amount to the amount of funds provided under this subpart, (B) making in-kind contributions to such programs, (C) demonstrating a commitment to continue to operate such programs after expiration of funding under this subpart, and (D) organizing a policy advisory committee including (but not limited to) representatives from business, private foundations, private nonprofit schools, and local and State educational agencies.

"(3) The contract shall indicate the level of development of human relations skills which its programs will instill by (A) identifying the credentials of the staff responsible for such development; (B) describing the manner in which such skills will be developed; and (C) describing the manner in which the program deals with human relations issues facing education administrators.

"(4) The contract shall establish a system for the evaluation of the programs conducted.

"(b) DURATION OF CONTRACT.—Each contract under this subpart shall be for a term of 3 years subject to the availability of appropriations. Such contract shall not be renewable, except that a single 3-year extension may be granted if the contractor agrees to maintain the programs with assistance under this part reduced by one-half.

"DEFINITIONS

"Sec. 545. For the purpose of this subpart—

"(1) the term 'school administrator' means a principal, assistant principal, district superintendent, and other local school administrators; and

"(2) the term 'leadership skills' includes, but is not limited to, managerial, administrative, evaluative, communication and disciplinary skills and related techniques.

"Part D—Teacher Scholarships and Fellowships

"Subpart 1—Congressional Teacher Scholarship Programs

"PURPOSE

"Sec. 551. It is the purpose of this subpart to make available, through grants to the States, scholarships during fiscal years 1987 through 1991 to a maximum of 10,000 individuals who are outstanding high school graduates and who demonstrate an interest in teaching, in order to enable and encourage those individuals to pursue teaching careers in education at the pre-school, elementary or secondary level. Such scholarships shall be referred to as 'Congressional Teacher Scholarships'.

"ALLOCATION AMONG STATES

"Sec. 552. (a) Per Capita Allocation.—From the sums appropriated for this subpart pursuant to section 502(d) for any fiscal year, the Secretary shall allocate to any State an amount which bears as nearly as possible the same ratio to such sums as the number of persons in that State bears to the number of persons in all States.

"(b) Use of Census Data.—For the purpose of this section, the number of persons in a State and in all States shall be determined by the most recently available data from the United States Census Bureau.

"GRANT APPLICATIONS

"Sec. 553. (a) Submission of Applications.—The Secretary is authorized to make grants to States in accordance with the provisions of this subpart. In order to receive a grant under this subpart, a State shall submit an application at such time or times, in such manner, and containing such information as the Secretary may prescribe by regulation. Such application shall set forth a program of activities for carrying out the purposes set forth in section 548 in such detail as will enable the Secretary to determine the degree to which such program will accomplish such purposes and such other policies, procedures, and assurances as the Secretary may require by regulation.

"(b) Content of Applications.—The Secretary shall approve an application under this subpart only if the application—

"(1) describes the selection criteria and procedures to be used by the State in the selection of scholarships under this part which satisfy the provisions of this part;

"(2) designates the State agency which administers the program under subpart 3 of part A of title IV, relating to State stu-

dent incentive grants, or the State agency with which the Secretary has an agreement under section 428(b);

"(3) describes the outreach effort the State agency intends to use to publicize the availability of Congressional Teacher Scholarships to high school students in the State;

"(4) provides assurances that each recipient eligible under section 555(b) of this part who receives a Congressional Teacher Scholarship shall enter into an agreement with the State agency under which the recipient shall—

"(A) within the 10-year period after completing the postsecondary education for which the Congressional Teacher Scholarship was awarded, teach, for a period of not less than 2 years for each year for which assistance was received, in a public or private nonprofit elementary or secondary school in any State, in a public education program in any State, or, on a full-time basis, handicapped children or children with limited English proficiency in a private nonprofit school, except that, in the case of individuals who teach in a shortage area established by the Secretary pursuant to section 428(b)(4), the requirements of this subparagraph shall be reduced by one-half;

"(B) provide the State agency evidence of compliance with section 557 as required by the State agency; and

"(C) repay all or part of a Congressional Teacher Scholarship received under section 554 plus interest and, if applicable, reasonable collection fees, in compliance with regulations issued by the Secretary under section 557, in the event that the conditions of subparagraph (A) are not complied with, except as provided for in section 558;

"(5) provides that the agreement entered into with recipients shall fully disclose the terms and conditions under which assistance under this subpart is provided and under which repayment may be required, including—

"(A) a description of the procedures required to be established under paragraph (6); and

"(B) a description of the appeals procedures required to be established under paragraph (7) under which a recipient may appeal a determination of noncompliance with any provision under this subpart;

"(6) provides for procedures under which a recipient of assistance received under this part who teaches for less than the period required under paragraph (4)(A) will have the repayment requirements reduced or eliminated consistent with the provisions of sections 557 and 558;

"(7) provides for appeals procedures under which a recipient may appeal any determination of noncompliance with any provision under this part;

"(8) provides assurances that the State agency shall make particular efforts to attract students from low-income backgrounds or who express a willingness or desire to teach in schools having less than average academic results or serving large numbers of economically disadvantaged students; and

"(9) provides assurances that Congressional Teacher Scholarships will be awarded without regard to sex, race, handicapping condition, creed, or economic background.

"(c) SELECTION CRITERIA AND PROCEDURES.—The selection criteria and procedures to be used by the State shall reflect the present and projected teacher needs of the State, including the demand for and supply of early childhood and elementary teachers in the State, the demand for and supply of secondary teachers in the State, and the demand for teachers with training in specific academic disciplines in the State.

"(d) SOLICITATION OF VIEWS ON SELECTION CRITERIA AND PROCEDURES.—In developing the selection criteria and procedures to be used by the State, the State shall solicit the views of State and local educational agencies, private educational institutions, and other interested parties. Such views—

"(1) shall be solicited by means of (A) written comments; and (B) publication of proposed selection criteria and procedures in final form for implementation; and

"(2) may be solicited by means of (A) public hearings on the teaching needs of elementary and secondary schools in the State (including the number of new teachers needed, the expected supply of new teachers, and the shortages in the State of teachers with training in specific academic disciplines, including early childhood education and development); or (B) such other methods as the State may determine to be appropriate to gather information on such needs.

"AMOUNT AND DURATION OF AND RELATION TO OTHER ASSISTANCE

"SEC. 554. (a) LIMITATIONS ON AMOUNT AND DURATION.—Subject to subsection (c), each Congressional Teacher Scholar shall receive a $5,000 scholarship for each academic year of postsecondary education for study in preparation to become a pre-school, elementary or secondary teacher. No individual shall receive scholarship assistance for more than 4 years of postsecondary education, as determined by the State agency.

"(b) CONSIDERATION OF AWARD IN OTHER PROGRAMS.—Notwithstanding the provisions of title IV of this Act, scholarship funds awarded pursuant to this part shall be considered in determining eligibility for student assistance under title IV of this Act.

"(c) ASSISTANCE NOT TO EXCEED NEED.—Congressional Teacher Scholarship assistance awarded by the statewide panel established pursuant to section 555 to any individual in any given year, when added to assistance received under title IV of this Act, shall not exceed the cost of attendance, as defined in section 472 of this Act, at the institution the individual is attending. If the amount of the Congressional Teacher Scholarship assistance and assistance received under title IV of this Act, exceeds the cost of attendance, the Congressional Teacher Scholarship shall be reduced by an amount equal to the amount by which the combined awards exceed the cost of attendance.

"(d) ASSISTANCE NOT TO EXCEED COST OF ATTENDANCE.—No individual shall receive an award under the Congressional Teacher Scholarship established under this subpart, in any academic year, *which exceeds the cost of attendance, as defined in section 471 of this Act, at the institution the individual is attending.*

"SELECTION OF CONGRESSIONAL TEACHER SCHOLARS

"SEC. 555. (a) SELECTION BY STATEWIDE PANELS.—Congressional Teacher Scholars shall be selected by a seven-member statewide panel appointed by the chief State elected official, acting in consultation with the State educational agency, or by an existing grant agency or panel designated by the chief State elected official and approved by the Secretary of Education. The statewide panel shall be representative of school administrators, teachers, including preschool teachers, and parents.

"(b) ELIGIBILITY FOR SELECTION; SELECTION CRITERIA AND PROCEDURES.—Selections of Congressional Teacher Scholars shall be made from students who have graduated or who are graduating from high school and who rank in the top 10 percent of their graduating class. The State educational agency shall make applications available to public and private nonprofit high schools in the State and in other locations convenient to applicants, parents, and others. The statewide panel shall develop criteria and procedures for the selection of Congressional Teacher Scholars. Such criteria may include the applicant's high school grade point average, involvement in extracurricular activities, financial need, and expression of interest in teaching as expressed in an essay written by the applicant. The panel may also require the applicant to furnish letters of recommendation from teachers and others.

"SCHOLARSHIP CONDITIONS

"SEC. 556. Recipients of scholarship assistance under this subpart shall continue to receive such scholarship payments only during such periods that the State agency finds that the recipient is—

"(1) enrolled as a full-time student in an accredited postsecondary institution;

"(2) pursuing a course of study leading to teacher certification; and

"(3) maintaining satisfactory progress as determined by the postsecondary institution the recipient is attending.

"SCHOLARSHIP REPAYMENT PROVISIONS

"SEC. 557. Recipients found by the State agency to be in noncompliance with the agreement entered into under section 554(b)(1) of this subpart shall be required to repay a pro rata amount of the scholarship awards received, plus interest and, where applicable, reasonable collection fees, on a schedule and at a rate of interest to be prescribed by the Secretary by regulations issued pursuant to this subpart.

"EXCEPTIONS TO REPAYMENT PROVISIONS

"SEC. 558. (a) DEFERRAL DURING CERTAIN PERIODS.—A recipient shall not be considered in violation of the agreement entered into pursuant to section 554(b)(1)(C) during any period in which the recipient—

"(1) is pursuing a full-time course of study related to the field of teaching at an eligible institution;

"(2) is serving, not in excess of 3 years, as a member of the armed services of the United States;

"(3) is temporarily totally disabled for a period of time not to exceed 3 years as established by sworn affidavit of a qualified physician;

"(4) is unable to secure employment for a period not to exceed 12 months by reason of the care required by a spouse who is disabled;

"(5) is seeking and unable to find full-time employment for a single period not to exceed 12 months;

"(6) is seeking and unable to find full-time employment as a teacher in a public or private nonprofit pre-school, elementary or secondary school or a public or private nonprofit pre-school, education program; or

"(7) satisfies the provisions of additional repayment exceptions that may be prescribed by the Secretary in regulations issued pursuant to this subpart.

"(b) FORGIVENESS IF PERMANENTLY TOTALLY DISABLED.—A recipient shall be excused from repayment of any scholarship assistance received under this subpart if the recipient becomes permanently totally disabled as established by sworn affidavit of a qualified physician.

"FEDERAL ADMINISTRATION OF STATE PROGRAMS; JUDICIAL REVIEW

"SEC. 559. (a) DISAPPROVAL HEARING REQUIRED.—The Secretary shall not finally disapprove any application for a State program submitted under section 555, or any modification thereof, without first affording the State agency submitting the program reasonable notice and opportunity for a hearing.

"(b) SUSPENSION OF ELIGIBILITY.—Whenever the Secretary, after reasonable notice and opportunity for hearing to the State agency administering a State program approved under this subpart, finds—

"(1) that the State program has been so changed that it no longer complies with the provisions of this subpart, or

"(2) that in the administration of the program there is a failure to comply substantially with any such provisions,

the Secretary shall notify such State agency that the State will not be regarded as eligible to participate in the program under this subpart until the Secretary is satisfied that there is no longer any such failure to comply.

"(c) COURT REVIEW.—(1) If any State is dissatisfied with the Secretary's final action under subsection (b) (1) or (2), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Secretary shall forthwith certify and file in the court the transcript of the proceedings and the record on which the action was based.

"(2) The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified find-

ings of fact and may modify any previous action, and shall certify to the court the transcript and record of further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) The court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

"Subpart 3—Christa McAuliffe Fellowship Program

"DECLARATION OF PURPOSE; DESIGNATION

"Sec. 561. (a) Purpose.—It is the purpose of this subpart to establish a national fellowship program for outstanding teachers.

"(b) Designation.—Individuals awarded fellowships under this subpart shall be known as 'Christa McAuliffe Fellows'.

"USE OF FUNDS FOR FELLOWSHIPS AND ADMINISTRATION

"Sec. 562. Funds appropriated for any fiscal year for fellowships to outstanding teachers under this subpart shall be used to award fellowships in accordance with the requirements of this subpart, except that not more than 15 percent of such funds shall be used for purposes of administering this subpart.

"CHRISTA MC AULIFFE FELLOWSHIPS

"Sec. 563. (a) Award Distribution and Amounts.—(1) Except as provided under paragraph (3), sums available for the purpose of this subpart shall be used to award one national teacher fellowship to a public or private school teacher teaching in each congressional district of each State, and in the District of Columbia, and the Commonwealth of Puerto Rico; and one such fellowship in Guam, the Virgin Islands, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

"(2) Fellowship awards may not exceed the average national salary of public school teachers in the most recent year for which satisfactory data are available, as determined by the Secretary. Christa McAuliffe teacher fellows may not receive an award for 2 consecutive years. Subject to the repayment provisions of section 566, Christa McAuliffe teacher fellows shall be required to return to a teaching position in their current school district or private school system for at least 2 years following the fellowship award.

"(3) If the appropriation for this subpart under section 502(d) is not sufficient to provide the number of fellowships required by paragraph (1) at the level required under paragraph (2), the Secretary shall determine and publish an alternative distribution of fellowships which will permit fellowship awards at that level and which is geographically equitable. The Secretary shall send a notice of such determination to each of the statewide panels established under section 565.

"(b) Use of Awards.—Christa McAuliffe teacher fellows may use such awards for such projects for improving education as the Secretary may approve, including (1) sabbaticals for study or research directly associated with the objectives of this part, or academic improvement; (2) consultation with, or assistance to other school districts or private school systems; (3) development of special innovative programs; or (4) model teacher programs and staff development.

"SELECTION OF CHRISTA MCAULIFFE TEACHER FELLOWSHIPS

"SEC. 164. Recipients of Christa McAuliffe teacher fellowships in each State shall be selected (in accordance with section 165) by a 7-member statewide panel appointed by the chief State elected official acting in consultation with the State educational agency, or by an existing panel designated by the chief State elected official and approved by the Secretary. The statewide panel shall be representative of school administrators, teachers, parents, and institutions of higher education.

"EVALUATION OF APPLICATIONS

"SEC. 165. (a) SUBMISSION TO AND REVIEW BY STATEWIDE PANEL.—An applicant for Christa McAuliffe teacher fellowship assistance shall submit a proposal for a project under section 163(b) and shall indicate the extent to which the applicant wishes to continue current teaching duties. The applicant shall submit such a proposal to the local education agency for comment prior to submission to the statewide panel appointed under section 164 for the State within which the proposed project is to be conducted. In evaluating proposals, each statewide panel shall consult with the local education agency, requesting 2 recommendations from teaching peers, a recommendation from the principal, and a recommendation of the superintendent on the quality of the proposal and its benefit to education; and any other criteria for awarding fellowships as is considered appropriate by each statewide panel. Selection of fellows shall be made in accordance with regulations prescribed by the Secretary of Education.

"(b) PUBLIC ANNOUNCEMENT.—Announcement of awards shall be made in a public ceremony.

"FELLOWSHIP REPAYMENT PROVISIONS

"SEC. 166. Repayment of the award shall be made to the Federal Government in the case of fraud or gross noncompliance.

"PART E—STATE TASK FORCES ON TEACHER TRAINING

"STATE TASK FORCES ON TEACHER TRAINING

"SEC. 171. (a) IN GENERAL.—No institution of higher education or other entity in any State shall be eligible for assistance under this title for any fiscal year beginning on or after October 1, 1987, unless—

"(1) the State educational agency has established a task force on teacher training in accordance with the requirements of subsections (b) and (c); or

"(2) the Secretary waives the requirements of this section if the State educational agency has substantially complied with the requirements of paragraphs (1), (2), and (3) of subsection (b) and submits evidence to the Secretary showing such compliance.

"(b) Task Force.—The State educational agency, in consultation with the task force established under this section, shall be responsible—

"(1) for conducting a statewide assessment of the State's needs for recruiting, retaining, retraining and improving the performance of instructional and administrative personnel in preschools, elementary and secondary schools within the State;

"(2) for developing plans to meet the needs identified pursuant to paragraph (1); and

"(3) for conducting such activities in cooperation with the State needs assessment required under section 206 of the Education for Economic Security Act (20 U.S.C. 3966).

"(c) Membership of Task Force.—A task force established under this section shall be composed of at least one representative of each of the following:

"(1) The Governor of the State.

"(2) The chief State school officer.

"(3) The State higher education executive officer.

"(4) The State board of education.

"(5) The deans of the schools or colleges of education within the State.

"(6) The presidents of colleges and universities within the State.

"(7) Pre-school, elementary and secondary school teachers.

"(8) Elementary and secondary school administrators, including local superintendents and principals.

"(9) The State legislature.

"(10) Private nonprofit pre-school, elementary and secondary education.

"(d) Alternative Membership.—Any previously existing State organization or entity whose membership is substantially the same as the membership required by subsection (c) may, with the approval of the State educational agency, assume the responsibilities of the task force on teacher training under this section.

"(e) Long-Range Planning.—From the funds available to carry out this subpart, a State educational agency may apply to the Secretary for assistance in order to develop a long-range plan, in consultation with the task force established under this section. Such plan shall—

"(1) assess the supply and determine the future needs of educators in the State, including early childhood education and development specialists;

"(2) assess the ability of teacher training institutions, the State educational agency, and local educational agencies within the State to meet such needs;

"(3) describe the steps being taken within the State to improve the qualifications and performance of practicing and prospective educators and the availability of training resources for such educators;

"(4) if determined to be appropriate by the State educational agency, establish a program of competitive grants to local educational agencies, professional organizations, institutions of higher education, and consortia of such agencies and institutions within the State that are allocated in accordance with

specific criteria developed by the task force on teacher training; and

"(5) provide for the performance of such other activities as are deemed appropriate to carry out purposes of this subpart.

"(f) Distribution of Funds to States.—Funds appropriated for this subpart shall be allocated among the States based on the number of children aged 5 through 17, inclusive, except that no State shall receive less than the greater of $50,000 or 0.5 percent of the amount so appropriated.

"(g) State Applications.—A State educational agency which desires to obtain a grant under this subpart shall file an application with the Secretary which—

"(1) describes the methods which will be used to insure active and continuing consultation with the task force;

"(2) provides for timely public notice and public dissemination of the information collected and plans developed; and

"(3) ensures that the State educational agency will keep such records and provide such information to the Secretary as may be required for fiscal audit and program evaluation, consistent with the responsibilities of the Secretary under this subpart.".

(b) Conforming Amendment.—The Human Services Reauthorization Act (Public Law 99-425) is amended by striking out title IX relating to leadership in educational administration development.

SEC. [illegible] TAFT INSTITUTE.

Section 1572 of the Education Amendments of 1980, relating to the Robert A. Taft Institute, is amended by inserting after "1985" a comma and the following: "$1,000,000 for the fiscal year 1988 and for each succeeding fiscal year ending prior to October 1, 1993".

TITLE VI—INTERNATIONAL EDUCATION PROGRAMS

SEC. 601. FINDINGS AND PURPOSES.

Section 601 of the Act is amended to read as follows:

"FINDINGS AND PURPOSES

"Sec. 601. (a) The Congress finds that—

"(1) the well-being of the United States, its economic and long-range security, is dependent on the education and training of Americans in international and foreign language studies and on a strong research base in these areas;

"(2) knowledge of other countries and the ability to communicate in other languages is essential to the promotion of mutual understanding and cooperation among nations; and

"(3) present and future generations of Americans must be afforded the opportunity to develop to the fullest extent possible their intellectual capacities in all areas of knowledge.

"(b) It is the purpose of this part to assist in the development of knowledge, international study, resources and trained personnel, to stimulate the attainment of foreign language acquisition and fluency, and to coordinate the programs of the Federal Government in the areas of foreign language and international studies and research.".

grants under paragraph (1) for such fiscal year equals or exceeds the current services equivalent of the level of funding during fiscal year 1985 under paragraph (1).

"(c) No funds may be expended under this part for undergraduate travel except in accordance with rules prescribed by the Secretary setting forth policies and procedures to assure that Federal funds made available for such travel are expended as part of a formal program of supervised study.".

SEC. 603. FOREIGN LANGUAGE RESOURCE CENTERS.

Section 603 of the Act is amended to read as follows:

"LANGUAGE RESOURCE CENTERS

"SEC. 603. (a) The Secretary is authorized to make grants to and enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating language training centers, which shall serve as resources to improve the capacity to teach and learn foreign languages effectively. Activities carried out by such centers may include—

"(1) the conduct of research on new and improved teaching methods, including the use of advanced educational technology;

"(2) the development of new teaching materials reflecting the use of such research in effective teaching strategies;

"(3) the development and application of proficiency testing appropriate to an educational setting for use as a standard and comparable measurement of skill levels in all languages;

"(4) the training of teachers in the administration and interpretation of proficiency tests, the use of effective teaching strategies, and the use of new technologies;

"(5) the publication of instructional materials in the less commonly taught languages; and

"(6) the widespread dissemination of research results, teaching materials, and improved pedagogical strategies to others within the postsecondary education community.

"(b) Grants under this section shall be made on such conditions as the Secretary determines to be necessary to carry out the provisions of this section.".

SEC. 604. UNDERGRADUATE INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS.

(a) CLARIFYING PROVISION.—The matter preceding clause (1) of section 604 of the Act is amended by striking out "comprehensive" each place it appears.

(b) TYPE OF TRAINING.—Section 604(a)(7) of the Act is amended by inserting before "teacher" the following: "pre-service and in-service".

(c) MODEL PROGRAMS.—Section 604 is further amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b)(1) The Secretary is also authorized to make grants to institutions of higher education whose applications are approved under subsection (a) for the purpose of providing assistance to model programs designed to improve and expand foreign language studies at those institutions. Any institution of higher education desiring to receive a grant under this subsection shall submit an application to the Secretary at such time, in such form, and containing such information and assurances as the Secretary may require.

"(2)(A) An institution of higher education shall not be eligible for a grant under this subsection for a fiscal year unless—

"(i) the sum of the number of students enrolled at such institution in qualified postsecondary language courses on October 1 of that fiscal year exceeds 5 percent of the total number of students enrolled at such institution; and

"(ii) such institution requires that each entering student have successfully completed at least 2 years of secondary school foreign language instruction or requires that each graduating student have earned 2 years of postsecondary credit in a foreign language (or have demonstrated equivalent competence in a foreign language).

"(B) For the purpose of subparagraph (A)(i), the total number of students enrolled in an institution shall be considered to be equal to the sum of (i) the number of full-time degree candidate students enrolled at the institution, and (ii) the number of part-time degree candidate students who are enrolled at the institution for an academic workload which is at least half the full-time academic workload, as determined by the institution in accordance with standards prescribed by the Secretary.

"(3) As a condition for the award of any grant under this subsection, the Secretary may establish criteria for evaluating programs assisted with funds under this subsection and require an annual report which evaluates the progress and proficiency of students in such programs.".

SEC. 605. INTENSIVE SUMMER LANGUAGE INSTITUTES.

Title VI of the Act is further amended—

(1) by redesignating sections 605, 606, and 607 as sections 608, 609, and 610, respectively; and

(2) by inserting after section 604 the following new section:

"INTENSIVE SUMMER LANGUAGE INSTITUTES

"Sec. 605. (a)(1) The Secretary is authorized to make grants to institutions of higher education, or combinations of such institutions, for the purpose of establishing and conducting intensive summer language institutes.

"(2) Training authorized by this section shall be provided through—

"(A) institutes designed to meet the needs for intensive language training by advanced foreign language students;

"(B) institutes designed to provide professional development and improve language instruction through pre-service and in-service training for language teachers; or

"(C) institutes that combine the combine the purposes of subparagraphs (A) and (B).

"(3) Grants made under this section may be used for—

"(A) intensive training in languages critical to the national economic and political future;

"(B) training in neglected languages; and

"(C) stipends for students and faculty attending the institutes authorized by this section.

"(a) Institutes supported under this section may provide instruction on a full-time or part-time basis to supplement instruction not fully available in centers supported under section 602.

"(b) Grants made under this section shall be awarded on the basis of recommendations made by peer review panels composed of broadly representative professionals.".

SEC. 606. RESEARCH; STUDIES; ANNUAL REPORT.

(a) Research and Studies.—Section 606 (as redesignated by section 605 of this Act) is amended—

(1) by striking out "and part N of title III of the Elementary and Secondary Education Act of 1965";

(2) by striking out "and" at the end of paragraph (2);

(3) by redesignating paragraph (3) as paragraph (4);

(4) by inserting after paragraph (2) the following new paragraph:

"(3) the application of proficiency tests and standards across all areas of foreign language instruction and classroom use; and"; and

(5) by inserting "and publication," after "development" in paragraph (4) (as redesignated by this section).

(b) Technical Amendment.—Section 606(b) of the Act is amended by striking out "listing of" in subsection (b) and inserting in lieu thereof "listing".

SEC. 607. PERIODICALS PUBLISHED OUTSIDE THE UNITED STATES.

Title VI of the Act is further amended by inserting after section 606 (as redesignated by section 605 of this Act) the following new section:

"PERIODICALS PUBLISHED OUTSIDE THE UNITED STATES

"Sec. 607. (a) In addition to the amount authorized to be appropriated by section 608, there are authorized to be appropriated $1,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years to provide assistance for the acquisition of, and provision of access to, periodicals published outside the United States.

"(b) From the amount appropriated under subsection (a) for any fiscal year, the Secretary shall make grants to institutions of higher education or public or nonprofit private library institutions or consortia of such institutions for the following purposes:

"(1) to acquire periodicals published outside the United States which are not commonly held by American academic libraries and which are of scholarly or research importance;

"(2) to maintain current bibliographic information on periodicals thus acquired in machine-readable form and to enter such information into one or more of the widely available bibliographic data bases;

"(3) to preserve such periodicals; and

"(4) to make such periodicals available to researchers and scholars.

"(c) The Secretary shall approve as a recipient of a grant under this section only an institution or consortium which has an established library or consortium of libraries with collection strengths in either specific geographical areas of the world or particular fields or

issues in world affairs which concern one or more countries, or both, and which demonstrates a commitment to share the resources of the collection.

"(d) Nothing in this section shall be considered to amend, affect, or define the provisions of title 17, United States Code, relating to copyright.".

SEC. 608. SELECTION OF GRANT RECIPIENTS.

Title VI of the Act is further amended by inserting after section 607 (as added by section 607 of this Act) the following new section:

"SELECTION OF GRANT RECIPIENTS

"Sec. 608. (a) The Secretary shall award grants under section 602 competitively on the basis of criteria that separately, but not less rigorously, evaluate the applications for comprehensive and undergraduate language and area centers and programs.

"(b) The Secretary shall set criteria for grants awarded under section 602 by which a determination of excellence shall be made to meet the differing objectives of graduate and undergraduate institutions.

"(c) The Secretary shall, to the extent practicable, award grants under this part (other than section 602(a)(1)) in such manner as to achieve an equitable distribution of assistance throughout the Nation, based on the merit of a proposal with peer review by broadly representative professionals.".

SEC. 609. REAUTHORIZATION OF PART A.

Section 610 of the Act (as redesignated by section 605 of this Act) is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"Sec. 610. There are authorized to be appropriated to carry out this part $[illegible] for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.".

SEC. 610. BUSINESS AND INTERNATIONAL EDUCATION PROGRAMS.

Section 611(a)(1) of the Act is amended by inserting "and educational" after "skills in the business".

SEC. 611. OVERSEAS INTERNSHIPS.

Section 612(b) of the Act is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) the establishment of internships overseas to enable foreign language students to develop their foreign language skills and knowledge of foreign cultures and societies.".

SEC. 612. REAUTHORIZATION OF PART B.

Section 613 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"Sec. 613. There are authorized to be appropriated to carry out this part $1,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.".

SEC. 613. ADVISORY BOARD.

Section 621 of the Act is amended to read as follows:

"ADVISORY BOARD

"Sec. 621. (a) Not less than 2 times each year the Secretary shall convene an advisory board on the conduct of programs under this title. The Advisory Board shall consist of—

"(1) 5 members selected by the Secretary from among members of the postsecondary educational community, at least two of whom shall be considered by their peers to be specialists in one or more fields of language, area, or international studies;

"(2) 2 members selected by the Secretary from among members of the public; and

"(3) 2 members selected by the Secretary from among representatives of the business community.

"(b) The Secretary may consult with, or include as ad hoc ex officio participants in Advisory Board meetings, a representative from any appropriate executive agency.

"(c) The Advisory Board shall advise the Secretary on—

"(1) any geographic areas of special concern to the United States;

"(2) innovative approaches which may help to fulfill the purposes of this title;

"(3) changes which should be made in the operation of programs under this part to ensure that the attention of scholars is attracted to problems of critical concern to United States international relations;

"(4) emerging trends within various segments (precollege, undergraduate, graduate, and postgraduate) of the international education community;

"(5) administrative and staffing requirements of international education programs in the Department; and

"(6) special needs with regard to the programs operated under part B.

"(d) The Advisory Board shall advise the Secretary and the Congress on adequate budget levels for parts A and B of this title.".

SEC. 614. DEFINITIONS.

Section 622 of the Act is amended—

(1) by striking out "and" at the end of paragraph (5);

(2) by striking out the period at the end of paragraph (6) and inserting in lieu thereof a semicolon; and

(3) by inserting at the end thereof the following:

"(7) the term 'comprehensive language and area center' means an administrative unit of a university that contributes significantly to the national interest in advanced research and scholarship, employs a critical mass of scholars in diverse disciplines related to a geographic concentration, offers intensive language training in languages of its area specialization, maintains in-

portant library collections related to the area, and makes training available in language and area studies to a graduate, postgraduate, and undergraduate clientele; and

"(8) the term 'undergraduate language and area center' means an administrative unit of an institution of higher education, including but not limited to 2-year colleges, that contributes significantly to the national interest through the education and training of students who matriculate into advanced language or area studies programs, professional school programs, or incorporates substantial international and foreign language content into baccalaureate degree programs, engages in research, curriculum development and community outreach activities designed to broaden international and foreign language knowledge, employs faculty with strong language, area, and international studies credentials, maintains library holdings, including basic reference works, journals, and works in translation, and makes training available predominantly to undergraduate students."

TITLE VII—CONSTRUCTION AND RENOVATION

SEC. 701. REVISION OF TITLE VII.

Title VII of the Act is amended to read as follows:

"TITLE VII—CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

"PURPOSES

"Sec. 701. (a) In General.—The Secretary shall carry out programs of financial assistance to institutions of higher education and to higher education building agencies for the construction, reconstruction, or renovation of academic facilities and the acquisition and maintenance of special research and instructional instrumentation and equipment if the primary purpose of such assistance is to enable such institutions—

"(1) to bring their facilities into conformity with the requirements of—

"(A) the Act of August 12, 1968, commonly known as the Architectural Barriers Act of 1968;

"(B) section 504 of the Rehabilitation Act of 1973;

"(C) environmental protection or health and safety programs mandated by Federal, State, or local law, if such requirements were not in effect at the time such facilities were constructed; or

"(D) hazardous waste disposal, treatment, and storage requirements mandated by the Resource Conservation and Recovery Act of 1976 or similar State statutes;

"(2) to more efficiently use available energy resources, especially coal, solar power, and other renewable energy resources;

"(3) to detect, remove, or otherwise contain asbestos hazards in academic and other facilities used by students, in accordance with regulations prescribed by the Secretary;

"(4) to construct, reconstruct, or renovate the Nation's academic research and instructional instrumentation and facili-

ties, including libraries, and to acquire and maintain special research and instructional instrumentation and equipment;

"(3) to provide facilities for advanced skill training programs that relate to emerging technologies and skill needs;

"(4) with unusual increases in enrollment or with significant internal programmatic enrollment shifts according to data and criteria established by the Secretary to construct, reconstruct, or renovate their facilities; or

"(5) to preserve significant architecture.

"(b) PRIORITY ON RENOVATION.—In the awarding of grants under this title, priority shall be given to projects involving the renovation of facilities.

"APPROPRIATIONS AUTHORIZED

"SEC. 702. (a) PARTS A AND B.—There are authorized to be appropriated—

"(1) $11,000,000 for part A for fiscal year 1987;

"(2) $10,000,000 for part B for such fiscal year; and

"(3) such sums as may be necessary for parts A and B for each of the 4 succeeding fiscal years,

except that no funds may be appropriated for parts A and B for any such fiscal year unless at least $10,000,000 is appropriated for part B of this title for such fiscal year.

"(b) OTHER PROGRAMS.—There are authorized to be appropriated—

"(1) $15,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years for part C;

"(2) $15,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years for part D; and

"(3) $10,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years for part E.

"PART A—GRANTS FOR THE CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF UNDERGRADUATE ACADEMIC FACILITIES

"STATE PLAN

"SEC. 711. (a) SUBMISSION AND CONTENTS OF PLAN.—Any State desiring to participate in the grant program authorized by this part shall have an agreement pursuant to section 1203 and submit annually to the Secretary, through the State agency designated in such agreement, a State plan which shall—

"(1) provide that the plan shall be administered by the State entity having an agreement under section 1203;

"(2) set forth objective standards and methods which are consistent with basic criteria established under section 715, for—

"(A) determining the relative priorities of eligible projects submitted by institutions of higher education within the State; and

"(B) verifying the Federal share of the cost of each project;

"(3) provide for every applicant an opportunity for a hearing before the State agency regarding the priority assigned to such

project, or any other decision by the State agency adversely affecting such applicant; and

"(5) provide for accounting procedures necessary to assure proper disbursement of Federal funds.

"(b) Hearing Required Before Disapproval.—The Secretary shall not disapprove any State plan, or modification thereof, without first affording the State agency reasonable notice and opportunity for a hearing.

"(c) Withholding for Noncompliance.—Whenever the Secretary finds that the State plan substantially fails to comply with this section, the Secretary shall notify the State that it is ineligible to participate in the program under this part until a determination is made that there is no longer a failure to comply.

"BASIC CRITERIA

"Sec. [illegible] (a) Secretary To Prescribe Criteria.—The Secretary shall, by regulation, prescribe basic criteria for the consideration of State plans which assure—

"(1) flexibility for States to accommodate the varied needs of institutions in the States;

"(2) consideration of the degree to which applicant institutions are effectively using existing facilities; and

"(3) that the Federal share shall not exceed [illegible] percent of the development costs of a project.

"(b) Rulemaking Procedures Required.—Section 553 of title 5, United States Code, shall apply to the prescription of regulations under this section.

"ALLOTMENT OF FUNDS

"Sec. [illegible] (a) [illegible] Percent Allotted for Public Community Colleges and Technical Institutes.—From the sums appropriated pursuant to section [illegible] to carry out the purposes of this part, not less than [illegible] percent shall be allotted to States under subsection (b) for public community colleges and public technical institutes. The remainder of such sums shall be allotted to States under subsection (c) for all other institutions of higher education.

"(b) Allotment for Public Community Colleges and Technical Institutes.—(1) For the purpose of making grants to public community colleges and public technical institutes, the Secretary shall allot to each State an amount which bears the same ratio to the amount available for allotment under this subsection as the product of—

"(A) the number of persons in the State who have graduated from high school or received an equivalency certificate during the previous school year, and

"(B) the State's allotment ratio,

bears to the sum of the corresponding products for all the States.

"(2)(A) Except as provided in subparagraph (B), the allotment ratio shall be 1.00 less the product of—

"(i) 0.50; and

"(ii) the quotient obtained by dividing the income per person for the State by the income per person for all States (not including (as Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and Guam.

"(B) Notwithstanding subparagraph (A)—

"(i) the allotment ratio shall in no case be less than [illegible] or more than [illegible];

"(ii) the allotment ratio for Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and Guam shall be [illegible]; and

"(iii) the allotment ratio of any State shall be [illegible] for any fiscal year if the Secretary finds that the cost of school construction in such State exceeds twice the median of such costs in all the States as determined by the Secretary on the basis of estimates and data as the Secretary shall deem adequate and appropriate.

"(C) Allotment ratios shall be promulgated annually by the Secretary on the basis of the average personal income in the State and in all the States for the three most recent consecutive calendar years for which data are available from the Department of Commerce.

"(c) Allotment for Higher Institutions.—For the purpose of making grants to all other institutions of higher education, the Secretary shall allot to each State—

"(1) an amount which bears the same ratio to [illegible] percent of the amount available for allotment under this subsection as the number of students enrolled in institutions of higher education in such State bears to the number of students so enrolled in all States; and

"(2) an amount which bears the same ratio to [illegible] percent of the amount available for allotment under this subsection as the number of students enrolled in grades 9 through 12 of schools in such State bears to the total number of students so enrolled in all the States.

"(d) Minimum Grants and Ratable Reduction.—The aggregate amount allotted to any State under subsections (b) and (c) for any fiscal year shall not be less than [illegible]. If the sums appropriated pursuant to section [illegible] are not sufficient to make payments to each State, then the amount of each State's allotment shall be ratably reduced.

"(e) Reallocation.—(1) Any portion of a State's allotment under subsections (b) and (c) for any fiscal year for which applications from qualified institutions have not been received by the State agency prior to January 1 of such fiscal year shall be [illegible] available for payment of the Federal share of cost of other approved projects.

"(2) Amounts allotted under this section for any fiscal year which are not used by the close of the fiscal year shall be reallotted by the Secretary among the States which are able to use the funds without delay during the next fiscal year.

"(f) Use for Construction, Reconstruction, Renovation.—Funds available under this part may be used for construction, reconstruction, or renovation of undergraduate facilities and [illegible] graduate and undergraduate facilities.

"(g) Use for Administration.—In addition, an amount less than or equal to [illegible] percent of that portion of an award granted under this part which is [illegible] by the recipient to meet costs of—

"(1) research or instructional instrumentation and equipment; and

"(2) equipment and structural changes necessary to ensure the proper functioning of such research or instructional instrumentation and equipment;

may be allocated by the recipient for maintenance of equipment and changes described in paragraphs (1) and (2). Part or all of this percentage may also be applied to costs of upgrading such equipment and structural changes within three years of the date of initial use, if the recipient deems such upgrading essential to the continued useful application of such research or instructional instrumentation and equipment.

"PART B—GRANTS FOR CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF GRADUATE ACADEMIC FACILITIES

"GRANTS

"SEC. [illegible]. (a) GRANTS TO INSTITUTIONS OF HIGHER EDUCATION.—(1) Funds available for this part shall be used by the Secretary to make grants to graduate institutions of higher education whose applications for assistance are consistent with the objectives of this title.

"(2) The total payments for any fiscal year made to institutions of higher education in any State shall not exceed [illegible] percent of funds appropriated for this part.

"(b) PEER REVIEW REQUIRED.—In making grants under this section, the Secretary shall utilize a national peer review panel. The National Peer Review Panel shall be broadly representative of all types and classes of institutions of higher education in the United States. Such panel shall make recommendations to the Secretary based on their assessment of—

"(1) the effectiveness of the program in the proposed use of Federal assistance; and

"(2) the extent to which the receipt of the grant will assist the institution in overcoming deficiencies in existing equipment and facilities.

"(c) GRANT LIMITATIONS.—The amount of the grant shall not exceed [illegible] percent of the development cost of the project. No funds or resources provided through Federal programs shall be used to meet the institution's share of the projects supported under this section.

"(d) USE FOR MAINTENANCE.—An amount less than or equal to [illegible] percent of that portion of an award granted under this part which is allocated by the recipient to meet costs of—

"(1) research or instructional instrumentation and equipment; and

"(2) equipment and structural changes necessary to ensure the proper functioning of such research or instructional instrumentation and equipment;

may be allocated by the recipient for maintenance of equipment and changes described in paragraphs (1) and (2). Part or all of this percentage may also be applied to costs of upgrading such equipment and structural changes within three years of the date of initial use, if the recipient deems such upgrading essential to the continued

[illegible]

[illegible]

[illegible]

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"(3) issue letters of credit and undertake obligations and commitments as the Corporation deems necessary to carry out the purposes described in paragraphs (1) and (2).

"(b) STATUS AS NON-GOVERNMENTAL ENTITY.—The Corporation shall not be an agency, instrumentality, or establishment of the United States Government and shall not be a 'Government corporation' nor a 'Government controlled corporation' as defined in section 103 of title 5, United States Code. No action under section 1491 of title 28, United States Code (commonly known as the Tucker Act) shall be allowable against the United States based on the actions of the Corporation.

"(c) CORPORATE POWERS AND LIMITATIONS.—The Corporation shall be subject to the provisions of this part and, to the extent not inconsistent with this part, to the District of Columbia Business Corporation Act. The business activities of the Corporation shall always be limited to the purposes set forth in subsection (a) of this section. It shall have the powers conferred upon a corporation by the District of Columbia Business Corporation Act as from time to time in effect in order to conduct its corporate affairs and to carry out its purposes and activities incidental thereto.

"(d) DEFINITION OF EDUCATION FACILITIES PURPOSE.—As used in this section, an 'education facilities purpose' includes any activity (including activities related to the payment of financing or transaction costs) relating to the construction, reconstruction, renovation, acquisition, or purchase of (1) education, training, or research facilities or housing for students, faculty, or staff, (2) any underlying real property or any interest therein, (3) furniture, fixtures, and equipment to be used in connection with any education or training facility or housing for students, faculty, or staff, and (4) instructional equipment and research instrumentation including site preparation for such equipment and instrumentation.

"CRITERIA FOR GUARANTEES AND INSURANCE

"SEC. 752. (a) GENERAL RULE.—The Corporation shall provide direct insurance, guarantees, and reinsurance on obligations issued for education facilities purposes only in accordance with the requirements of this section.

"(b) ALLOCATION OF REINSURANCE CAPACITY.—

"(1) At least the percentages specified in paragraph (2) of the aggregate dollar amount of bond and debenture issues reinsured by the Corporation shall be issues which, without insurance, are listed by a nationally recognized statistical rating organization at a rating below the third highest rating of such organization.

"(2) For the purpose of subparagraph (1) of this paragraph, the percentages specified in this paragraph shall be—

"(A) 10 percent for the first full year of operation of the Corporation;

"(B) 20 percent for the second full year of such operation; and

"(C) 30 percent for the third full year of such operation and thereafter.

"(2) No bond or debenture issue which is both reinsured and directly insured by the Corporation may be counted toward the fulfillment of the requirements of paragraph (1).

"(c) DIRECT INSURANCE AND GUARANTEE ACTIVITIES; LIMITATIONS.—

"(1) All of the assets and obligations directly insured by primary insurance or guarantees issued by the Corporation shall be assets or obligations of institutions which are, without insurance or guarantee, listed by a nationally recognized statistical rating organization at a rating below the third highest rating of such organization.

"(2) At least the percentages specified in paragraph (3) of the aggregate dollar amount of the assets and obligations reinsured, insured, and guaranteed by the Corporation under this section shall be in the direct insurance and guarantee activities specified in this subsection.

"(3) For the purpose of paragraph (2) of this paragraph, the percentages specified in this paragraph shall be—

"(A) 10 percent for the first full year of operation of the Corporation;

"(B) 20 percent for the second full year of such operation; and

"(C) 30 percent for the third full year of such operation and thereafter.

"(4) For the purpose of paragraph (1), the assets and obligations which may be directly insured by primary insurance or guarantees issued by the Corporation are—

"(A) bonds, debentures, notes, evidences of debt, loans, and interests therein, the proceeds of which are to be used for an education facilities purpose; and

"(B) leases of personal, real, or mixed property to be used for an education facilities purpose.

"(d) NOTICE OF SERVICES.—The Corporation shall take such steps as may be necessary to publicize the availability of its insurance and reinsurance programs under this section in a manner that assures that information concerning such programs will be available to each eligible institution.

"(e) NONDISCRIMINATION REQUIRED.—

"(1) The Corporation may not carry out any activities with respect to any educational facilities purpose of a participating institution if the institution discriminates on account of race, color, religion (subject to paragraph (2)), national origin, sex (to the extent provided in title IX of the Education Amendments of 1972), or handicapping condition.

"(2) The prohibition with respect to religion shall not apply to an educational institution which is controlled by or which is closely identified with the tenets of a particular religious organization if the application of this section would not be consistent with the religious tenets of such organization.

"(3) Each participating institution shall certify to the Corporation that the institution does not discriminate as required by the provisions of paragraph (1).

"PROCESS OF ORGANIZATION

"Sec. 753. The Secretary of the Treasury, the Secretary, and the Student Loan Marketing Association shall each appoint 3 persons to be incorporators of the Corporation. If either the Secretary of the Treasury or the Secretary fail to appoint incorporators within 30 days after the date of enactment of the Higher Education Amendments of 1986, the Student Loan Marketing Association, after consultation with the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives, shall have the authority to name the incorporators which have not been so appointed. The incorporators so appointed shall each sign the articles of incorporation and shall serve as the initial Board of Directors until the members of the first regular Board of Directors shall have been appointed and elected. Such incorporators shall take whatever actions are necessary or appropriate to establish the Corporation, including the filing of articles of incorporation.

"OPERATION AND ELECTION OF BOARD OF DIRECTORS

"Sec. 754. (a) In General.—The Corporation shall have a Board of Directors which shall consist of 11 members, of whom one shall be elected annually by the Board to serve as chairman. Directors shall serve for terms of one year or until their successors have been appointed and qualified, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the Director whom he succeeds. Two Directors shall be appointed by the Secretary of the Treasury, 2 Directors shall be appointed by the Secretary, 3 Directors shall be appointed by the Student Loan Marketing Association, and the remaining 4 Directors shall be elected by the holders of the Corporation's voting common stock at least one of whom shall be a college or university administrator. The failure of the Secretary or the Secretary of the Treasury to make any one or more appointments to the Board of Directors of the Corporation shall not affect or diminish the right and power of (1) the other directors who have been appointed or elected to assume and carry out their duties as directors and (2) the Board as constituted to act for all purposes as the full Board of the Corporation.

"(b) Cumulative Voting.—The articles of incorporation of the Corporation shall provide for cumulative voting under section 27(d) of the District of Columbia Business Corporation Act (D.C. Code, sec. 29-327(d)).

"INITIAL CAPITAL

"Sec. 755. (a) Authority To Issue Common Stock.—The Corporation shall issue shares of voting common stock of no par value at such time within 6 months of its incorporation as shall be designated by the initial Board of Directors, and from time to time thereafter.

"(b) Subscription by Secretary.—The Secretary is authorized and directed to subscribe to and purchase, in each of the 2 years following the incorporation of the Corporation, voting common stock of the Corporation having an aggregate purchase price of not more than $10,000,000, subject to availability of appropriations.

"(c) SUBSCRIPTION BY ASSOCIATION.—The Student Loan Marketing Association is authorized to subscribe to and purchase during the 3 years following the incorporation of the Corporation voting common stock of the Corporation having an aggregate purchase price of $35,000,000 or more.

"(d) INITIAL ISSUANCE.—The Corporation is authorized to offer for subscription and purchase to the general public during the 3 years following the incorporation of that Corporation, voting common stock having an aggregate purchase price of $135,000,000. Not less than 25 percent of such stock shall be set aside for purchase by institutions of higher education prior to being offered to the general public.

"ISSUE OF ADDITIONAL STOCK AND DEBT TO THE PUBLIC

"SEC. 756. The Corporation may issue, without limitation as to amount or restriction as to ownership, such nonvoting common, preferred, and preference stock, debt, and such other securities and obligations, in such amounts, at such times, and having such terms and conditions as may be deemed necessary or appropriate by its Board of Directors.

"OBLIGATIONS NOT FEDERALLY GUARANTEED; NO FEDERAL PRIORITY

"SEC. 757. No obligation which is directly guaranteed, or otherwise backed by the Corporation, shall be deemed to be an obligation which is guaranteed by the full faith and credit of the United States. No obligation which is issued, guaranteed, or otherwise backed by the Corporation shall be deemed to be an obligation which is guaranteed by the Student Loan Marketing Association. This section shall not affect the determination of whether such obligation is guaranteed for purposes of Federal income taxes.

"AUTHORITY OF SECRETARY TO SELL COMMON STOCK; RIGHT OF FIRST REFUSAL

"SEC. 758. (a) AUTHORITY TO SELL.—The Secretary may, at any time after a date which is 5 years after the date of incorporation of the Corporation, sell (in one or more transactions) the voting common stock of the Corporation issued to the Secretary. Prior to offering such common stock for sale to any other person, the Secretary shall offer such stock to the Student Loan Marketing Association at the price determined pursuant to subsection (b). Not less than 30 days prior to the sale of such stock, the Secretary shall advise, in writing, the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives of plans of that Secretary.

"(b) PURCHASE PRICE.—The price at which the Secretary may sell the voting common stock of the Corporation under subsection (a) shall be the market value of such shares as determined by the Secretary on the basis of an independent appraisal, but shall not be less than the value of such shares as shown on the books of account of the Corporation as of the date of closing of such purchase. In no event shall the purchase price be less than the original issuance price.

"(c) Board of Directors Elected After Majority Holding.—If the Student Loan Marketing Association acquires from the Secretary sufficient voting common stock so as to own more than 50 percent of the issued and outstanding voting common stock of the Corporation, section 753 (except subsection (b)) shall be of no further force or effect and the Board of Directors of the Corporation shall thereafter be elected entirely by the voting common stockholders.

"(d) Right of First Refusal to Association.—Until such time as the Student Loan Marketing Association acquires all of the voting common stock owned by the Secretary, the Student Loan Marketing Association shall have the right to purchase all, or any lesser portion it shall select, of each of the issues of equity securities or other securities convertible into equity of the Corporation as the Corporation may issue from time to time, on the same terms and conditions as such securities are to be offered to other persons.

"(e) Authority of Association With Respect to Corporation.—The Student Loan Marketing Association is authorized and empowered to purchase stock and to carry out such other activities as are necessary and appropriate for carrying out the Association's obligations and responsibilities with respect to the Corporation. The Student Loan Marketing Association is also authorized to enter into such other transactions with the Corporation, including the acquisition of securities and obligations of the Corporation referred to in this section and sections 757 and 758, and arrangements for the provision of management and other services to the Corporation, as shall be approved by the Student Loan Marketing Association and the Corporation.

"USE OF STOCK SALE PROCEEDS

"Sec. 759. The proceeds received by the Secretary upon the sale of any shares of the Corporation to the Student Loan Marketing Association or any other person shall be deposited in the general fund of the Treasury.

"AUDITS; REPORTS TO THE PRESIDENT AND THE CONGRESS

"Sec. 760. (a) Audits.—The books of account of the Corporation shall be maintained in accordance with generally accepted accounting principles and shall be subject to an annual audit by an independent public accountant.

"(b) Reports.—The Corporation shall transmit to the President and the Congress, annually and at such other times as it deems desirable, a report of its operations and activities under this part, which annual report shall include a copy of the Corporation's financial statements and the opinion with respect thereto prepared by the independent public accountant reviewing such statements and a copy of any report made on an audit conducted under subsection (a). The annual reports shall include such information and other evidence as is necessary to demonstrate that the Corporation has complied with the requirements of section 756.

"PART F—HOUSING AND OTHER EDUCATIONAL FACILITIES LOANS

"FEDERAL ASSISTANCE IN THE FORM OF LOANS

"SEC. 741. (a) AUTHORITY AND CONDITIONS FOR LOANS.—To assist undergraduate postsecondary educational institutions in the construction, reconstruction, or renovation of housing, undergraduate academic facilities, and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction, reconstruction, or renovation of such facilities. No such assistance shall be provided unless—

"(1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title; and

"(2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials.

"(b) USE OF LOANS FOR PREVIOUSLY MADE COMMITMENTS.—Any undergraduate postsecondary educational institution which, prior to the date of enactment of this section, has contracted for housing or other educational facilities may, in connection therewith, receive loans authorized under this title, as the Secretary may determine. No such loan shall be made for any housing or other educational facilities the construction of which was begun prior to the effective date of this section, or completed prior to the filing of an application under this title.

"(c) AMOUNT AND CONDITIONS OF LOANS.—A loan to an undergraduate postsecondary educational institution—

"(1) may be in an amount not exceeding the total development cost of the facility, as determined by the Secretary;

"(2) shall be secured in such manner and be repaid within such period, not exceeding 50 years, as may be determined by the Secretary; and

"(3) shall bear interest at a rate determined by the Secretary which shall be not more than the lesser of (A) 5-1/2 percent per annum, or (B) the total of one-quarter of 1 percent per annum added to the rate of interest paid by the Secretary on funds obtained from the Secretary of the Treasury as provided in subsection (d).

"(d) USE OF FUNDS FROM TITLE IV OF THE HOUSING ACT OF 1950.—Funds obtained pursuant to section 401(d) of the Housing Act of 1950 shall be available for the purposes of carrying out this part. For such purposes, the total amount of notes and obligations which the Secretary may continue to issue and have outstanding for purchase by the Secretary of the Treasury shall not exceed the amount issued and outstanding under such section 401(d) as of September 30, 1980. Such notes and other obligations shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Secretary, with the approval of the Secretary of the Treasury. Such notes or other obligations issued to obtain funds for loan contracts entered into after the effective date of the Higher Education Act Amend-

Housing Act of 1950 shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the average current yield on outstanding obligations of the United States of comparable maturities in the month preceding the month in which the contract for such loan is made. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Secretary issued under this part and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under such chapter are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired under this part. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

"(c) Use of Funds.—Not less than 10 percent of the funds held by the Secretary under subsection (a) shall be made available for loans under this part for each fiscal year.

"(d) Authorization for Paying Notes and Obligations Not Covered by Loan Repayments.—There are authorized to be appropriated to the Secretary such sums as may be necessary, together with principal and interest payments made by postsecondary educational institutions assisted with loans made under this part or under title IV of the Housing Act of 1950, for payment on notes and obligations issued by the Secretary under this part or such title.

"GENERAL PROVISIONS

"Sec. [illegible] (a) Budget and Accounting.—In the performance of, and with respect to, the functions, powers, and duties under this part, the Secretary, notwithstanding the provisions of any other law, shall—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

"(2) maintain a set of accounts which shall be audited by the Comptroller General in accordance with the provisions of chapter 35 of title 31, United States Code, but such financial transactions of the Secretary, as the making of loans and vouchers approved by the Secretary, in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

"(b) Use of Funds.—Funds made available to the Secretary pursuant to the provisions of this part shall be deposited in a checking account or accounts with the Treasurer of the United States. Receipts and assets obtained or held by the Secretary in connection with the performance of functions under this part and all funds available for carrying out the functions of the Secretary under this part (including appropriations therefor, which are hereby authorized) shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Secretary in connection with the performance of such functions.

(c) Special Powers.—In the performance of, and with respect to, the functions, powers, and duties vested in him by this part, the Secretary may, notwithstanding the provisions of any other law, may—

(1) prescribe such rules and regulations as may be necessary to carry out the purposes of this part;

(2) sue and be sued;

(3) [illegible]

(4) [illegible]

(5) [illegible]

(6) [illegible]

(7) [illegible]

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fore be deemed to be the period of Federal interest in such facility for the purposes of this title.

"(b) Recovery Upon Cessation of Public Benefit.—If, within 20 years after completion of construction of an academic facility which has been constructed, in part with a grant under part A or B of this title—

"(1) the applicant (or its successor in title or possession) ceases or fails to be a public or nonprofit institution, or

"(2) the facility ceases to be used as an academic facility, or the facility is used as a facility excluded from the term 'academic facility', unless the Secretary determines that there is good cause for releasing the institution from its obligation,

the United States shall be entitled to recover from such applicant (or successor) an amount which bears to the value of the facility at that time (or so much thereof as constituted an approved project or projects) the same ratio as the amount of Federal grant bore to the cost of the facility financed with the aid of such grant. The value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which such facility is situated.

"(c) Prohibition on Use for Religion.—Notwithstanding the provisions of subsections (a) and (b), no project assisted with funds under this title shall ever be used for religious worship or a sectarian activity or for a school or department of divinity.

"DEFINITIONS

"Sec. 782. The following definitions apply to terms used in this title:

"(1)(A) Except as provided in subparagraph (B), the term 'academic facilities' means structures suitable for use as classrooms, laboratories, libraries, and related facilities necessary or appropriate for instruction of students, or for research, or for administration of the educational or research programs, of an institution of higher education, and maintenance, storage, or utility facilities essential to operation of the foregoing facilities. For the purpose of part A or C, such term includes infirmaries or other facilities designed to provide primarily for outpatient care of student and instructional personnel. Plans for such facilities shall be in compliance with such standards as the Secretary may prescribe or approve in order to ensure that projects assisted with the use of Federal funds under this title shall be, to the extent appropriate in view of the uses to be made of the facilities, accessible to and usable by handicapped persons.

"(B) The term 'academic facilities' shall not include (i) any facility intended primarily for events for which admission is to be charged to the general public, or (ii) any gymnasium or other facility specially designed for athletic or recreational activities, other than for an academic course in physical education or where the Secretary finds that the physical integration of such facilities with other academic facilities included under this title is required to carry out the objectives of this title, or (iii) any facility used or to be used for sectarian instruction or as a place for religious worship, or (iv) any facility which (although *not a facility described in the preceding clause) is used or to be used primarily in connection with any part of the program of a school or department of divinity, or (ii) any facility used or to be used by a school of medicine, school of dentistry, school of osteopathy, school of pharmacy, school of optometry, school of podiatry, or school of public health as those terms are defined in section 701 of the Public Health Service Act, or a school of nursing as defined in section 853 of that Act, except that the term 'academic facilities' may include any facility described in clause (ii) to the degree that such facility is owned, operated, and maintained by the institution of higher education requesting the approval of a project, and that funds available for such facility under such project shall be used solely for the purpose of conversion or modernization of energy utilization techniques to economize on the use of energy resources, and that such project is not limited to facilities described in clause (ii).*

"(2)(A) The term 'construction' means (i) erection of new or expansion of existing structures, and the acquisition and installation of initial equipment therefor; or (ii) acquisition of existing structures not owned by the institution involved; or (iii) a combination of either of the foregoing. For the purpose of the preceding sentence, the term 'equipment' includes, in addition to machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, all other items necessary for the functioning of a particular facility as an academic facility, including necessary furniture, but not including books, curricular, and program materials, and items of current and operating expense such as fuel, supplies, and the like; the term 'initial equipment' means equipment acquired and installed in connection with construction; and the terms 'equipment', 'initial equipment', and 'built-in equipment', shall be more particularly defined by the Secretary by regulation.

"(B) The term 'reconstruction or renovation' means rehabilitation, alteration, conversion, or improvement (including the acquisition and installation of initial equipment, or modernization or replacement of such equipment) of existing structures. For the purpose of the preceding sentence, the term 'equipment' includes, in addition to machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, all other items necessary for the functioning of a particular facility as an academic facility, including necessary furniture, but not including books, curricular, and program materials, and items of current and operating expense such as fuel, supplies, and the like; the term 'initial equipment' means equipment acquired and installed either in connection with construction as defined in paragraph (2)(A), or as part of the rehabilitation, alteration, conversion, or improvement of an existing structure, which structure would otherwise not be adequate for use as an academic facility; the terms 'equipment', 'initial equipment', and 'built-in equipment' shall be more particularly defined by the Secretary by regulation; and the term 'rehabilitation, alteration, conversion, or improvement' includes such action as may be necessary to provide for the architectural needs of, or to remove architectural barriers to, handicapped persons with a

view toward increasing the accessibility to, and use of, academic facilities by such persons.

"(3)(A) The term 'development cost', with respect to an academic facility, means the amount found by the Secretary to be the cost, to the applicant for a grant or loan under this title, of the construction, reconstruction, or renovation involved and the cost of necessary acquisition of the land on which the facility is located and of necessary site improvements to permit its use for such facility. There shall be excluded from the development cost—

"(i) in determining the amount of any grant under part A or B, an amount equal to the sum of (I) any Federal grant which the institution has obtained or is assured of obtaining, under any law other than this title, with respect to the construction, reconstruction, or renovation that is to be financed with the aid of a grant under part A or B, and (II) the amount of any non-Federal funds required to be expended as a condition of such other Federal grant; and

"(ii) in determining the amount of any loan under part C, an amount equal to the amount of any Federal financial assistance which the institution has obtained, or is assured of obtaining, under any law other than this title, with respect to the construction, reconstruction, or renovation that is to be financed with the aid of a loan under part C.

"(B) In determining the development cost with respect to an academic facility, the Secretary may include expenditures for works of art for the facility not to exceed 1 percent of the total cost (including such expenditures) to the applicant of construction, reconstruction, or renovation of, and land acquisition and site improvements for, such facility.

"(4) The term 'maintenance', with respect to instructional and research equipment obtained with funding under this title, shall mean the care necessary to the optimal functioning of such equipment. With respect to the equipment and structural changes related to obtaining and sustaining the necessary environment (ventilation, etc.) for proper functioning of instructional and research equipment, 'maintenance' shall mean that portion of care above and beyond normal overhead costs.

"(5) The term 'Federal share' means in the case of any project a percentage (as determined under the applicable State plan) not in excess of 50 percent of its development cost.

"(6) The term 'higher education building agency' means (A) an agency, public authority, or other instrumentality of a State authorized to provide, or finance the construction, reconstruction, or renovation of, academic facilities for institutions of higher education (whether or not also authorized to provide or finance other facilities for such or other educational institutions, or for their students or faculty), or (B) any corporation (no part of the net earnings of which inures or may lawfully inure to the benefit of any private shareholder or individual (i) established by an institution of higher education for the sole purpose of providing academic facilities for the use of such institution, and (ii) upon dissolution of which, all title to any property purchased or built from the proceeds of any loan made under part

C will pass to such institution), or (C) an institution of postsecondary education.

"(7) The term 'public community college and public technical institute' means an institution of higher education which is under public supervision and control, and is organized and administered principally to provide a 2-year program which is acceptable for full credit toward a bachelor's degree, or a 2-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge; and the term includes a branch of an institution of higher education offering 4 or more years of higher education which is located in a community different from that in which its parent institution is located.

"(8) The term 'public educational institution' does not include a school or institution of any agency of the United States.

"(9) The term 'State' includes in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

"SALES OF OBLIGATIONS REQUIRED

"SEC. 781. The Secretary shall sell, at public or private sale, obligations held under parts C and E of this title upon such terms as the Secretary may fix and in such amounts as the Secretary determines will carry out the directions in the concurrent resolution on the budget for the fiscal year 1987 (S. Con. Res. 120, 99th Congress, agreed to June 27, 1986), but the Secretary shall not sell obligations having a market value of more than $579,000,000 in fiscal year 1987 and more than $314,000,000 in fiscal year 1988.".

SEC. 702. CONFORMING PROVISION.

Title IV of the Housing Act of 1950 is repealed.

TITLE VIII—COOPERATIVE EDUCATION

SEC. 801. COOPERATIVE EDUCATION REAUTHORIZED.

Title VIII of the Act is amended to read as follows:

"TITLE VIII—COOPERATIVE EDUCATION

"APPROPRIATIONS AUTHORIZED; RESERVATIONS

"SEC. 801. (a) APPROPRIATIONS AUTHORIZED.—There are authorized to be appropriated to carry out this title $17,000,000 for fiscal year 1987, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(b) RESERVATIONS.—Of the amounts appropriated in each fiscal year—

"(1) not less than 75 percent shall be available for carrying out grants to institutions of higher education and combinations of such institutions for cooperative education under section 802;

"(2) not to exceed 12½ percent shall be available for demonstration projects under paragraph (1) of section 803(a);

"(3) not to exceed 10 percent shall be available for training and resource centers under paragraph (2) of section 803(a); and

"(4) not to exceed 2½ percent shall be available for research under paragraph (3) of section 803(a).

"(c) Availability of Appropriations.—Appropriations under this title shall not be available for the payment of compensation of students for employment by employers under arrangements pursuant to this title.

"GRANTS FOR COOPERATIVE EDUCATION PROGRAMS

"Sec. 802. (a) Grants Authorized; Maximum Amount of Grant.—(1) The Secretary is authorized, from the amount available under section 801(b)(1) in each fiscal year and in accordance with the provisions of this title, to make grants to institutions of higher education, or to combinations of such institutions, to pay the Federal share of the cost of planning, establishing, expanding, or carrying out programs of cooperative education by such institutions or combinations of institutions.

"(2)(A) Cooperative education programs assisted under this section shall provide alternating or parallel periods of academic study and of public or private employment, giving work experience related to their academic or occupational objectives and the opportunity to earn the funds necessary for continuing and completing their education.

"(B) The amount of each grant shall not exceed $500,000 to any institution of higher education or combination of such institutions in any fiscal year.

"(b) Applications.—Each institution of higher education, or combination of institutions desiring to receive a grant under this title shall submit an application to the Secretary at such time and in such manner as the Secretary shall prescribe. Each such application shall—

"(1) set forth the program or activities for which a grant is authorized under this section;

"(2) specify each portion of such program or activities which will be performed by a nonprofit organization or institution other than the applicant and the compensation to be paid for such performance;

"(3) provide that the applicant will expend during such fiscal year for the purpose of such program or activities not less than the amount expended for such purpose during the previous fiscal year;

"(4) describe the plans which the applicant will carry out to assure that the applicant will continue the cooperative education program beyond the 5-year period of Federal assistance described in subsection (c)(1);

"(5) provide that, in the case of an institution of higher education that provides a 2-year program which is acceptable for full credit toward a bachelor's degree, the cooperative education program will be available to students who are certificate candi-

dates and who carry at least one-half the normal full time academic workload;

"(6) provide that the applicant will—

"(A) make such reports as may be essential to insure that the applicant is complying with the provisions of this section, including in the reports for the second and each succeeding fiscal year for which the applicant receives a grant data with respect to the impact of the cooperative education program in the previous fiscal year, including—

"(i) the number of students enrolled in the cooperative education program,

"(ii) the number of employers involved in the program,

"(iii) the income of the students enrolled, and

"(iv) the increase or decrease of enrollment in the program in the second previous year compared to such previous fiscal year; and

"(B) keep such records as are essential to insure that the applicant is complying with the provisions of this title;

"(7) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under this title; and

"(8) include such other information as is essential to carry out the provisions of this title.

"(c) DURATION OF GRANTS; FEDERAL SHARE.—(1)(A) Except as provided in paragraph (3), no individual unit of an institution of higher education may receive, individually or as a participant in a combination of such institutions, grants under this section for more than 5 fiscal years.

"(B) The limitation contained in subparagraph (A) shall apply to each institution of higher education or participant in a combination of such institutions whether the grant was received before or after the date of enactment of the Higher Education Amendments of 1986.

"(2) The Federal share of a grant under this section may not exceed—

"(A) 90 percent of the cost of carrying out the application in the first year the applicant receives a grant under this section;

"(B) 80 percent of such cost in the second such year;

"(C) 70 percent of such cost in the third such year;

"(D) 60 percent of such cost in the fourth such year; and

"(E) 30 percent of such cost in the fifth such year.

"(3) Any institution of higher education, or participant in a combination of such institutions which—

"(A) has received a grant for 5 fiscal years under this section;

"(B) has conducted without Federal assistance a cooperative education program for at least 2 academic years subsequent to the end of the fifth such fiscal year;

"(C) has expended for the cooperative education program for each such subsequent academic year an amount at least equal to the total cost of the program in the fifth fiscal year in which the institution, or participant, received assistance under this section; and

"(D) provides statistics in the application required under subsection (b) on the number of students enrolled in the cooperative education program, the number of institutional personnel, including faculty advisers and cooperative education coordinators, and the income of the students enrolled, for each such year;

may apply under subsection (b) as an institution, or participant, to which subparagraph (A) of paragraph (2) applies.

"(4) Any provision of law to the contrary notwithstanding, the Secretary shall not waive the provisions of this subsection.

"(d) Factors for Special Consideration of Applications.—(1) In approving applications under this section, the Secretary shall give special consideration to applications from institutions of higher education for programs which show the greatest promise of success because of—

"(A) the extent to which programs in the academic discipline with respect to which the application is made have had a favorable reception by public and private sector employers,

"(B) the commitment of the institution of higher education to cooperative education has demonstrated by the plans which such institution has made to continue the program after the termination of Federal financial assistance,

"(C) the extent to which the institution is committed to extending cooperative education on an institution-wide basis for all students who can benefit, and

"(D) such other factors as are consistent with the purposes of this section.

"(2) The Secretary shall also give special consideration to applications from institutions of higher education or combinations thereof which demonstrate a commitment to serving special populations such as women, the handicapped and Black, Mexican American, Puerto Rican, Cuban, other Hispanic, American Indian, Alaska Native, Aleut, Native Hawaiian, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian students.

"DEMONSTRATION AND INNOVATION PROJECTS; TRAINING AND RESOURCE CENTERS; AND RESEARCH

"Sec. 803. (a) Authorization.—The Secretary is authorized, in accordance with the provisions of this section, to make grants and enter into contracts for—

"(1) the conduct of demonstration projects designed to demonstrate or determine the feasibility or value of innovative methods of cooperative education from the amounts available in each fiscal year under section 801(b)(2);

"(2) the conduct of training and resource centers designed to—

"(A) train personnel in the field of cooperative education;

"(B) improve materials used in cooperative education programs;

"(C) furnish technical assistance to institutions of higher education to increase the potential of the institution to continue to conduct a cooperative education program without Federal assistance;

"(D) encourage model cooperative education programs which furnish education and training in occupations in which there is a national need; and

"(E) support partnerships under which an institution carrying out a comprehensive cooperative education program joins with another institution of higher education in order to (i) assist the institution other than the comprehensive cooperative education institution to develop and expand an existing program of cooperative education, or (ii) establish and improve or expand comprehensive cooperative education programs,

from the amounts available in each fiscal year under section 801(b)(3); and

"(3) the conduct of research relating to cooperative education, from the amounts available in each fiscal year under section 801(b)(4).

"(b) ADMINISTRATIVE PROVISION.—To carry out this section, the Secretary may—

"(1) make grants to or contracts with institutions of higher education, or combinations of such institutions, and

"(2) make grants to or contracts with other public or private nonprofit agencies or organizations, whenever such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

"(c) SUPPLEMENT NOT SUPPLANT.—A recipient of a grant or contract under this section may use the funds provided only so as to supplement and, to the extent possible, increase the level of funds that would, in the absence of such funds, be made available from non-Federal sources to carry out the activities supported by such grant or contract, and in no case to supplant such funds from non-Federal sources.".

TITLE IX—GRADUATE EDUCATION

SEC. 901. REVISION OF TITLE IX.

(a) AMENDMENT.—Title IX of the Act is amended to read as follows:

"TITLE IX—GRADUATE PROGRAMS

"PART A—GRANTS TO INSTITUTIONS TO ENCOURAGE MINORITY PARTICIPATION IN GRADUATE EDUCATION

"PROGRAM AUTHORIZED

"SEC. 901. The Secretary shall make grants to institutions of higher education to enable such institutions to identify talented undergraduate low-income students who demonstrate financial need and are from minority groups underrepresented in graduate education, and provide such students with an opportunity to participate in a program of research and scholarly activities at such institution designed to provide such students with effective preparation for graduate study in such field or related fields.

"SUBMISSION AND CONTENTS OF APPLICATIONS

"SEC. 902. (a) REQUIRED INFORMATION.—*Each institution of higher education shall submit an application under this part to the Secretary in such form and containing such information as the Secretary may by regulation prescribe. Each such application shall provide information regarding—*

"(1) the program of study, to take the form of summer research internships, seminars, and other educational experiences;

"(2) the institution's plan for identifying and recruiting talented minority undergraduates;

"(3) the participation of faculty in the program and a detailed description of the research in which students will be involved;

"(4) a plan for the evaluation of the effectiveness of the program; and

"(5) such other assurances and information as the Secretary may require by regulation.

"(b) SELECTION REQUIREMENTS.—*In making awards to institutions—*

"(1) the Secretary shall consider the quality of the research in which students will be involved as well as the recruitment program and program of study; and

"(2) the Secretary shall ensure an equitable geographic distribution among public and private institutions of higher education.

"USE OF FUNDS

"SEC. 903. *Awards made to institutions under this part shall be used exclusively to provide direct fellowship aid which may include need-based stipends, room and board costs, transportation costs, and tuition for courses for which credit is given by the institution as approved by the Secretary.*

"PART B—PATRICIA ROBERTS HARRIS FELLOWSHIPS

"STATEMENT OF PURPOSE; DESIGNATION OF AWARDS

"SEC. 921. (a) PURPOSE.—*It is the purpose of this part to provide, through institutions of higher education, a program of grants to assist in making available the benefits of a post-baccalaureate education to graduate and professional students who demonstrate financial need.*

"(b) DESIGNATION.—*Each recipient of such an award under this part shall be known as a 'Patricia Roberts Harris Fellow'.*

"PROGRAM AUTHORIZED

"SEC. 922. (a) GRANTS BY SECRETARY.—*The Secretary shall make grants to institutions of higher education to enable such institutions to make grants in accordance with the provisions of this part.*

"(b) DISTRIBUTION AND AMOUNTS OF GRANTS.—*(1) In making such grants the Secretary shall, to the maximum extent feasible, ensure an equitable geographic distribution of awards and an equitable distribution among eligible public and independent institutions of higher education.*

"(2) Whenever the Secretary determines that an institution of higher education is unable to use all of the amounts available to it under this part, the Secretary shall, on such dates during each fiscal year as the Secretary may fix, reallot such amounts not needed to institutions which can use the grants authorized by this part.

"(c) Applications.—Any eligible institution of higher education offering a program of post-baccalaureate study leading to a graduate or professional degree may apply for grants under this part. Each such institution may make an application to the Secretary at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require. Such application may be made on behalf of professional schools, academic departments, or similar organizational units within such institution meeting the requirements of this subsection, including interdisciplinary or interdepartmental programs.

"(d) Selection of Applications.—In making grants to institutions of higher education, the Secretary shall—

"(1) take into account present and projected needs for highly trained individuals in all areas of education beyond secondary school;

"(2) take into account present and projected needs for highly trained individuals in other than academic career fields of high national priority; and

"(3) consider the need to prepare a larger number of individuals from minority groups, especially from among such groups which have been traditionally underrepresented in colleges and universities, but nothing contained in this paragraph shall be interpreted to require any institution to grant preference or disparate treatment to the members of one minority group on account of an imbalance which may exist with respect to the total number or percentage of individuals of such group participating in or receiving the benefits of the program authorized in this section, in comparison with the total number or percentage of individuals of such group in any community, State, section, or other area.

"(e) Priorities for Fellowships.—The Secretary shall assure that, in making grants under this part, awards are made to—

"(1) individuals who plan to pursue a career in public service; and

"(2) individuals from traditionally underrepresented groups, as determined by the Secretary, undertaking graduate or professional study.

The Secretary shall assure that the amount expended for categories of fellowships described in paragraphs (1) and (2) of this subsection for each fiscal year is not less than the amount expended for each category in fiscal year 1985.

"(f) Institutional Payments.—From sums required to be expended by the Secretary for grants under subsection (e), the Secretary shall (in addition to the awards made to individuals) pay to the institution of higher education at which such individual is pursuing his or her course of study such amounts as are paid under similar fellowship programs administered through the National Science Foundation and other similar agencies, except that such amount

charged to a fellowship recipient and collected from such recipient by the institution for tuition and other expenses required by the institution as part of the recipient's instructional program shall be deducted from the payments to the institution under this subsection.

"(g) USE FOR RELIGIOUS PURPOSES PROHIBITED.—*No fellowship shall be awarded under this part for study at a school or department of divinity.*

"AWARD OF FELLOWSHIPS

"SEC. 923. (a) AWARDS BASED ON NEED.—*An institution of higher education receiving funds under this part shall make available to financially needy graduate and professional students an award determined by such institution of higher education, except that no award under this part may exceed the lesser of $10,000, or the demonstrated level of financial need as determined under part F of title IV of this Act.*

"(b) REQUIREMENTS FOR AWARD.—*No student shall receive an award except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research (including acting as a teaching assistant or research assistant as may be required as a condition to award of a degree) in the field in which such fellowship was awarded and is not engaging in gainful employment, other than part-time employment by the institution of higher education involved in teaching, research, or similar activities, approved by the Secretary. Such period shall not exceed a total of 3 years, except that the Secretary may provide by regulation for the granting of such fellowships for a period of study not to exceed one 12-month period, in addition to the 3-year period set forth in this section, under special circumstances which the Secretary determines would most effectively serve the purposes of this part. The Secretary shall make a determination to provide such 12-month extension of an award to an individual fellowship recipient upon review of an application for such extension by the recipient.*

"PART C—JACOB K. JAVITS FELLOWS PROGRAM

"AWARD OF NATIONAL GRADUATE FELLOWSHIPS

"SEC. 931. (a) NUMBER AND TIMING OF AWARDS.—*The Secretary is authorized to award not more than 450 fellowships per year in accordance with the provisions of this part for graduate study in the arts, humanities, and social sciences by students of superior ability selected on the basis of demonstrated achievement and exceptional promise. All funds appropriated in a fiscal year shall be obligated and expended to the students for fellowships for use in the academic year beginning after July 1 of the fiscal year for which the funds were appropriated. The fellowships shall be awarded for only one academic year of study and shall be renewable for a period not to exceed 4 years of study.*

"(b) DESIGNATION OF FELLOWS.—*Students receiving awards under this part shall be known as 'Jacob K. Javits Fellows'.*

"(c) INTERRUPTIONS OF STUDY.—*The institution of higher education may allow a fellowship recipient to interrupt periods of study for a period not to exceed 12 months for the purpose of work, travel,* *or independent study away from the campus, if such independent study is supportive of the fellowship recipient's academic program and shall continue payments for those 12-month periods during which the student is pursuing travel or independent study supportive of the recipient's academic program.*

"ALLOCATION OF FELLOWSHIPS

"SEC. 932. (a) FELLOWSHIP BOARD.—(1) The Secretary shall appoint a National Graduate Fellows Program Fellowship Board consisting of not less than 9 and not more than 15 individuals prior to July 31, 1987, 13 individuals after July 31, 1987, and prior to August 1, 1989, 11 individuals after July 31, 1989, and prior to August 1, 1991, and 9 individuals after July 31, 1991, representatives of both public and private institutions of higher education especially qualified to serve on the Board. In making appointments, the Secretary shall give due consideration to the appointment of individuals who are highly respected in the academic community. The Secretary shall assure that individuals appointed to the Board are broadly knowledgeable about and have experience in doctoral education in arts, humanities, and social sciences.

"(2) The Board shall—

"(A) establish general policies for the program established by this part and oversee its operation;

"(B) establish general criteria for the distribution of fellowships among eligible academic fields identified by the Board;

"(C) appoint panels of academic scholars with distinguished backgrounds in the arts, humanities, and social sciences for the purpose of directing fellows; and

"(D) prepare and submit to the Congress at least once in every 3-year period a report on any modifications in the program that the Board determines are appropriate.

"(3) In carrying out its responsibilities, the Board shall consult on a regular basis with representatives of the National Science Foundation, the National Endowment for the Humanities, the National Endowment for the Arts, and representatives of institutions of higher education and associations of such institutions, learned societies, and professional organizations.

"(4) The term of office of each member of the Board shall be 4 years; except that any member appointed to fill a vacancy shall serve for the remainder of the term for which the predecessor of the member was appointed. No member may serve for a period in excess of 6 years.

"(5) The Secretary shall call the first meeting of the Board, at which the first order of business shall be the election of a Chairman and a Vice Chairman, who shall serve until one year after the date of their appointment. Thereafter each officer shall be elected for a term of 2 years. In case a vacancy occurs in either office, the Board shall elect an individual from among the members of the Board to fill such vacancy.

"(6)(A) A majority of the members of the Board shall constitute a quorum.

"(B) The Board shall meet at least once a year or more frequently, as may be necessary, to carry out its responsibilities.

"(7) Members of the Board, while serving on the business of the Board, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding the rate prescribed for GS-18 of the General Schedule under section 5332, title 5, United States Code, including traveltime; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in Government service employed intermittently.

"(b) Use of Selection Panels.—The recipients of fellowships shall be selected in each designated field from among all applicants nationwide in each field by distinguished panels appointed by the Fellowship Board to make such selections under criteria established by the Board. The number of recipients in each field in each year shall not exceed the number of fellows allocated to that field for that year by the Fellowship Board.

"(c) Fellowship Portability.—Each recipient shall be entitled to use the fellowship in a doctoral program at any accredited institution of higher education in which the recipient may decide to enroll.

"STIPENDS

"Sec. 933. (a) Award by Secretary.—The Secretary shall pay to individuals awarded fellowships under this part such stipends (including such allowances for subsistence and other expenses for such individuals and their dependents) as the Secretary may determine to be appropriate, adjusting such stipends as necessary so as not to exceed the fellow's demonstrated level of need according to measurements of need approved by the Secretary. The stipend levels established by the Secretary shall reflect the purpose of this program to encourage highly talented students to undertake graduate study and shall provide a level of support comparable to that provided by federally funded graduate fellowships in the science and engineering fields.

"(b) Institutional Payments.—(1) The Secretary shall (in addition to the stipends paid to individuals under subsection (a)) pay to the institution of higher education, for each individual awarded a fellowship for pursuing a course at such institution, $6,000.

"(2) Subject to the availability of appropriations, amounts payable to an institution by the Secretary pursuant to this subsection shall not be reduced for any purpose other than the purposes specified under paragraph (1).

"FELLOWSHIP CONDITIONS

"Sec. 934. (a) Requirements for Receipt.—An individual awarded a fellowship under the provisions of this part shall continue to receive payments provided in section 933 only during such periods as the Secretary finds that he is maintaining satisfactory proficiency in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded, in an institution of higher education, and is not engaging in gainful employment other than part-time employment by such institution in teaching, research, or similar activities, approved by the Secretary.

"(b) REPORTS FROM RECIPIENTS.—*The Secretary is authorized to require reports containing such information in such form and to file at such times as the Secretary determines necessary from any person awarded a fellowship under the provisions of this part. The reports shall be accompanied by a certificate from an appropriate official at the institution of higher education, library, archive, or other research center approved by the Secretary, stating that such individual is making satisfactory progress in, and is devoting essentially full time to the program for which the fellowship was awarded.*

"PART D—GRADUATE ASSISTANCE IN AREAS OF NATIONAL NEED

"PURPOSE

"SEC. 941. *In order to sustain and enhance the capacity for teaching and research in areas of national need, it is the purpose of this part to provide, through academic departments and programs of institutions of higher education, a fellowship program to assist graduate students of superior ability who demonstrate financial need.*

"GRANTS TO ACADEMIC DEPARTMENTS AND PROGRAMS OF INSTITUTIONS

"SEC. 942. (a) GRANT AUTHORITY.—*(1) The Secretary shall make grants to academic departments and programs and other academic units of institutions of higher education that provide courses of study leading to a graduate degree in order to enable such institutions to provide assistance to graduate students in accordance with this part.*

"*(2) The Secretary may also make grants to such departments and programs and to other units of institutions of higher education granting graduate degrees which submit joint proposals involving nondegree granting institutions which have formal arrangements for the support of doctoral dissertation research with degree-granting institutions. Nondegree granting institutions eligible for awards as part of such joint proposals include any organization which—*

"*(A) is described in section 501(c)(3) of the Internal Revenue Code of 1954, and is exempt from tax under section 501(a) of such Code;*

"*(B) is organized and operated substantially to conduct scientific and cultural research and graduate training programs;*

"*(C) is not a private foundation;*

"*(D) has academic personnel for instruction and counseling who meet the standards of the institution of higher education in which the students are enrolled; and*

"*(E) has necessary research resources not otherwise readily available in such institutions to such students.*

"(b) AWARD AND DURATION OF GRANTS.—*(1) The principal criterion for the allocation of awards shall be the relative quality of the graduate programs presented in competing applications. Consistent with an allocation of awards based on quality of competing applications, the Secretary shall, in making such grants, promote an equitable geographic distribution among eligible public and private institutions of higher education.*

"(2) The Secretary shall approve a grant recipient under this part for a 3-year period. From the sums appropriated under this part for any fiscal year, the Secretary shall not make a grant to any academic department or program of an institution of higher education of less than $100,000 or greater than $500,000 per fiscal year.

"(3) Whenever the Secretary determines that an academic department or program of an institution of higher education is unable to use all of the amounts available to it under this part, the Secretary shall, on such dates during each fiscal year as the Secretary may fix, reallot the amounts not needed to academic departments and programs of institutions which can use the grants authorized by this part.

"(c) PREFERENCE TO CONTINUING GRANT RECIPIENTS.—(1) The Secretary shall make new grant awards under this part only to the extent that each previous grant recipient has received continued funding in accordance with subsection (b)(2).

"(2) To the extent that appropriations under this part are insufficient to comply with paragraph (1), available funds shall be distributed by ratably reducing the amounts required to be awarded by subsection (b)(2).

"INSTITUTIONAL ELIGIBILITY

"SEC. 943. (a) ELIGIBILITY CRITERIA.—Any academic department or program of an institution of higher education that offers a program of post-baccalaureate study leading to a graduate degree in an area of national need (as designated under subsection (b)) may apply for a grant under this part. No department or program shall be eligible for a grant unless the program of post-baccalaureate study has been in existence for at least 4 years at the time of application for assistance under this part.

"(b) DESIGNATION OF AREAS OF NATIONAL NEED.—After consultation with the National Science Foundation, the National Academy of Sciences, the National Endowments for the Arts and the Humanities, and other appropriate Federal and nonprofit agencies and organizations, the Secretary shall designate areas of national need, such as mathematics, biology, physics, chemistry, engineering, geosciences, computer science, or foreign languages or areas studies. In making such designations, the Secretary shall take into account the extent to which the interest is compelling and the extent to which other Federal programs support post-baccalaureate study in the area concerned.

"CRITERIA FOR APPLICATIONS

"SEC. 944. (a) SELECTION OF APPLICATIONS.—The Secretary shall make grants to academic departments and programs of institutions of higher education on the basis of applications submitted in accordance with subsection (b). Applications shall be ranked on program quality by geographically balanced review panels of nationally recognized scholars. To the extent possible (consistent with other provisions of this section), the Secretary shall make awards that are consistent with recommendations of the review panels.

"(b) CONTENTS OF APPLICATIONS.—An academic department or program of an institution of higher education, in its application for a grant, shall—

"(1) describe the current academic program of the applicant for which the grant is sought;

"(2) provide assurances that the applicant will provide, from other non-Federal funds, for the purposes of the fellowship program under this part an amount equal to at least 25 percent of the amount of the grant received under this part;

"(3) set forth policies and procedures to assure that, in making fellowship awards under this part the institution will seek talented students from traditionally underrepresented backgrounds, as determined by the Secretary;

"(4) set forth policies and procedures to assure that, in making fellowship awards under this part, the institution will make awards to individuals who—

"(A) have financial need, as determined under criteria developed by the institution;

"(B) have excellent academic records in their previous programs of study;

"(C) plan teaching or research careers; and

"(D) plan to pursue the highest possible degree available in their course of study;

"(5) set forth policies and procedures to ensure that Federal funds made available under this part for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purpose of this part and in no case to supplant those funds;

"(6) provide assurances that, in the event that funds made available to the academic department or program under this part are insufficient to provide the assistance due a student under the commitment entered into between the academic department or program and the student, the academic department or program will endeavor, from any funds available to it, to fulfill the commitment to the student;

"(7) provide that the applicant will comply with the limitations set forth in section 945; and

"(8) include such other information as the Secretary may prescribe.

"AWARDS TO GRADUATE STUDENTS

"SEC. 945. (a) COMMITMENTS TO GRADUATE STUDENTS.—(1) From at least 60 percent of the funds received under this part, an academic department or program of an institution of higher education shall make commitments to graduate students at any point of their graduate study to provide stipends for the length of time necessary for a student to complete the course of graduate study, but in no case longer than 5 years.

"(2) No such commitments shall be made to students under this part unless the academic department or program has determined adequate funds are available to fulfill the commitment either from funds received or anticipated under this part, or from institutional funds.

"(b) AMOUNT OF STIPENDS.—The size of the stipend awarded to students for an individual academic year shall be determined by the institution, except that no annual stipend award under this part may exceed $10,000, or the demonstrated level of need (according to criteria of need developed by the institution), whichever is less.

"(c) ACADEMIC PROGRESS REQUIRED.—Notwithstanding the provisions of subsection (a), no student shall receive an award (1) except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded, or (2) if the student is engaging in gainful employment other than part-time employment involved in teaching, research, or similar activities determined by the institution to be in support of the student's progress towards a degree.

"ADDITIONAL ASSISTANCE FOR COST OF EDUCATION

"SEC. 946. (a) USE FOR TUITION AND FEES.—From the remainder of the funds received under this part after complying with the requirements of section 945, the academic department or program of an institution of higher education may award fellowship recipients under section 945 additional amounts to pay the recipients' tuition and fees and other costs of education.

"(b) USE FOR OVERHEAD PROHIBITED.—Funds made available pursuant to this part may not be used for the general operational overhead of the academic department or program.

"PART E—ASSISTANCE FOR TRAINING IN THE LEGAL PROFESSION

"PROGRAM AUTHORIZED

"SEC. 951. (a) GRANTS AND CONTRACTS.—The Secretary is authorized to make grants to, or enter into contracts with, public and private agencies and organizations other than institutions of higher education for the purpose of assisting individuals from disadvantaged backgrounds, as determined in accordance with criteria prescribed by the Secretary, to undertake training for the legal profession.

"(b) USE OF FUNDS.—Grants made, and contracts entered into, under subsection (a) may cover, in accordance with regulations of the Secretary, all or part of the cost of—

"(1) selecting individuals from disadvantaged backgrounds for training for the legal profession,

"(2) facilitating the entry of such individuals into institutions of higher education for the purpose of pursuing such training,

"(3) providing counseling or other services designed to assist such individuals to complete successfully such training,

"(4) providing, for not more than 6 months prior to the entry of such individuals upon their courses of training for the legal profession, preliminary training for such individuals designed to assist them to complete successfully such training for the legal profession,

"(5) paying such stipends (including allowances for travel and for dependents) as the Secretary may determine for such individuals for any such period of preliminary training or for any *period of training for the legal profession during which such individuals maintain satisfactory academic proficiency, as determined by the Secretary, and*

"(6) paying for administrative activities of the agencies and organizations which receive such grants, or with which such contracts are entered into, to the extent such activities are for the purpose of furthering activities described in paragraphs (1) through (5).

"PART F—LAW SCHOOL CLINICAL EXPERIENCE PROGRAMS

"PROGRAM AUTHORIZATION

"SEC. 961. (a) GRANT AND CONTRACT PURPOSES.—The Secretary is authorized to enter into grants or contracts with accredited law schools in the States for the purpose of paying not to exceed 90 per centum of the costs of establishing or expanding programs in such schools to provide clinical experience to students in the practice of law, which includes any form of law student work involving performance in the role of a lawyer exercising legal skills and roles such as those of an advocate, counselor, negotiator, investigator, and ethical practitioner, whether by way of the provision of representation of or services to an identifiable client in actual cases or situations (subject to existing State or local limitations upon such provision) or by way of simulation of such provision through appropriate exercises. Preference shall be given to those programs providing legal experience in the preparation and trial of actual cases, including administrative cases and the settlement of controversies outside the courtroom. The cases and situations handled in actuality or by simulation may encompass any one or more of the following:

"(1) judicial, administrative, executive, or legislative proceedings, including the full range of preparation therefor;

"(2) office or house counsel problems; or

"(3) factual investigation, empirical research, or policy or legal analysis.

"(b) USE OF FUNDS.—Such costs may include necessary expenditures incurred for—

"(1) planning;

"(2) training of faculty members and salary for additional faculty members;

"(3) travel and per diem for faculty and students;

"(4) reasonable stipends for students for work in the public service performed as part of any such program at a time other than during the regular academic year;

"(5) equipment and library resources;

"(6) involving practicing lawyers in the process of training law students to perform as lawyers; and

"(7) such other items as are allowed pursuant to regulations issued by the Secretary.

"(c) LIMITATIONS ON AMOUNTS.—No law school may receive more than $100,000 in any fiscal year pursuant to this part, no part of which may be used to pay for indirect costs or charges.

"(d) DEFINITION.—For the purpose of this part, the term 'accredited law school' means any law school which is accredited by a nationally recognized accrediting agency or association approved by

the Secretary for this purpose, including any combination or consortium of such schools.

"APPLICATIONS

"SEC. 962. (a) REQUIREMENTS.—A grant or contract authorized by this part may be made by the Secretary upon application which—

"(1) is made at such time or times and contains such information as the Secretary may prescribe;

"(2) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part; and

"(3) provides for making such reports, in such form and containing such information as the Secretary may require to carry out functions under this part, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports.

"(b) DISTRIBUTION OF GRANTS AND CONTRACTS.—The Secretary shall allocate grants or contracts under this part in such manner as will provide an equitable distribution of such grants or contracts throughout the United States among law schools which show promise of being able to use funds effectively for the purposes of this part.

"PART G—AUTHORIZATION OF APPROPRIATIONS

"AMOUNT AND DURATION OF AUTHORIZATION

"SEC. 971. (a) PART A.—There are authorized to be appropriated to carry out part A of this title $10,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(b) PART B.—There are authorized to be appropriated to carry out part B of this title $30,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(c) PART C.—There are authorized to be appropriated to carry out part C of this title $10,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(d) PART D.—There are authorized to be appropriated to carry out part D of this title $30,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(e) PART E.—There are authorized to be appropriated to carry out part E of this title $5,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(f) PART F.—There are authorized to be appropriated to carry out part F of this title $5,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(g) LIMITATION ON APPROPRIATIONS FOR PARTS A AND D.—No funds are authorized to be appropriated for part A or D of this title for any fiscal year unless the appropriation for the preceding fiscal year—

"(1) for part B equals or exceeds $18,000,000; and

"(2) for part C equals or exceeds $5,000,000.".

(b) EFFECTIVE DATE.—The amendments made to section 932 (a) and (c) of the Act by this section shall take effect with respect to

individuals appointed to the Fellowship Board to fill vacancies occurring after the date of enactment of this Act on the Fellowship Board as constituted prior to the amendments made by this section. The Secretary shall make initial appointments under this subsection so that the terms of 3 members expire at the end of 2 years, 3 members expire at the end of 3 years, and 3 members expire at the end of 4 years.

TITLE X—IMPROVEMENT OF POSTSECONDARY EDUCATION

SEC. 1001. FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION.

(a) FUNCTIONS.—(1) Section 1003(c)(2) of the Act is amended to read as follows:

"(2) advise the Secretary and the Director of the Fund for the Improvement of Postsecondary Education on priorities for the improvement of postsecondary education and make such recommendations as it may deem appropriate for the improvement of postsecondary education and for the evaluation, dissemination, and adaptation of demonstrated improvements in postsecondary educational practice;".

(b) REAUTHORIZATION.—Section 1005 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1005. There are authorized to be appropriated to carry out this part $14,500,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.".

SEC. 1002. MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAMS.

Part B of title X of the Act is amended to read as follows:

"PART B—MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAMS

"SUBPART 1—MINORITY SCIENCE IMPROVEMENT PROGRAM

"PURPOSE; AUTHORITY

"SEC. 1021. (a) It is the purpose of this subpart to continue the authority of the Department to operate the Minority Institutions Science Improvement Program created under section 3(a)(1) of the National Science Foundation Act of 1950 and transferred to the Department by section 304(a)(1) of the Department of Education Organization Act of 1979.

"(b) The Secretary shall, in accordance with the provisions of this subpart, carry out a program of making grants to institutions of higher education that are designed to effect long-range improvement in science and engineering education at predominantly minority institutions and to increase the participation of underrepresented ethnic minorities in scientific and technological careers.

"GRANT RECIPIENT SELECTION

"SEC. 1022. (a) ESTABLISHMENT OF CRITERIA.—Grants under this subpart shall be awarded on the basis of criteria established by the Secretary by regulations.

"(b) PRIORITIES TO BE GIVEN IN CRITERIA.—*In establishing criteria under subsection (a), the Secretary shall give priority to applicants which have not previously received funding from the Minority Institutions Science Improvement Program and to previous grantees with a proven record of success, as well as to applications that contribute to achieving balance among projects with respect to geographic region, academic discipline, and project type.*

"(c) REQUIRED CRITERIA.—*In establishing criteria under subsection (a), the Secretary may consider the following selection criteria in making grants:*

"(1) plan of operation;
"(2) quality of key personnel;
"(3) budget and cost effectiveness;
"(4) evaluation plan;
"(5) adequacy of resources;
"(6) identification of need for the project;
"(7) potential institutional impact of the project;
"(8) institutional commitment to the project;
"(9) expected outcomes; and
"(10) scientific and educational value of the proposed project.

"USE OF FUNDS

"SEC. 1023. (a) TYPES OF GRANTS.—*Funds appropriated to carry out this subpart may be made available as—*

"(1) institutional grants (as defined in section 1046(6));
"(2) cooperative grants (as defined in section 1046(7));
"(3) design projects (as defined in section 1046(8)); or
"(4) special projects (as defined in section 1046(9)).

"(b) AUTHORIZED USES FOR EACH TYPE OF GRANT.—*(1) The authorized uses of funds made available as institutional grants include (but are not limited to)—*

"(A) faculty development programs; or
"(B) development of curriculum materials.

"(2) The authorized uses of funds made available as cooperative grants include (but are not limited to)—

"(A) assisting institutions in sharing facilities and personnel;
"(B) disseminating information about established programs in science and engineering;
"(C) supporting cooperative efforts to strengthen the institutions' science and engineering programs; or
"(D) carrying out a combination of any of the activities in subparagraphs (A) through (C).

"(3) The authorized uses of funds made available as design projects include (but are not limited to)—

"(A) developing planning, management, and evaluation systems; or
"(B) developing plans for initiating scientific research and for improving institutions' capabilities for such activities.

Funds used for design project grants may not be used to pay more than 50 percent of the salaries during any academic year of faculty members involved in the project.

"(4) The authorized uses of funds made available as special projects include (but are not limited to)—

"(A) advanced science seminars;

"(B) science faculty workshops and conferences;

"(C) faculty training to develop specific science research or education skills;

"(D) research in science education;

"(E) programs for visiting scientists;

"(F) preparation of films or audio-visual materials in science;

"(G) development of learning experiences in science beyond those normally available to minority undergraduate students;

"(H) development of pre-college enrichment activities in science; or

"(I) any other activities designed to address specific barriers to the entry of minorities into science.

"ADMINISTRATION

"SEC. 1024. The Secretary shall submit to the Congress on an annual basis a list of grantees receiving awards under this part.

"SUBPART 2—SCIENCE AND ENGINEERING ACCESS PROGRAMS

"MINORITY SUPPORT IN SCIENCE AND ENGINEERING PROGRAMS

"SEC. 1031. The Secretary shall, in accordance with the provisions of this subpart, carry out a program of making grants to institutions of higher education that are designed to provide or improve support programs for minority students enrolled in science and engineering programs at institutions with a significant minority enrollment (at least 10 percent).

"SPECIAL SERVICE PROJECTS PROGRAM

"SEC. 1032. The Secretary shall, in accordance with the provisions of this subpart, carry out a program of making grants to institutions of higher education that are designed to provide or improve support to accredited colleges and universities and professional scientific societies for a broad range of activities designed to eliminate or reduce specific barriers to the entry of minorities into science and technology.

"SUPPORTABLE ACTIVITIES

"SEC. 1033. Funds appropriated for the purpose of this subpart may be made available for—

"(1) providing needed services to groups of minority institutions or providing training for scientists and engineers from eligible minority institutions;

"(2) providing needed services to groups of institutions serving significant numbers of minority students or providing training for scientists and engineers from such institutions to improve their ability to train minority students in science or engineering;

"(3) assisting minority institutions to improve the quality of preparation of their students for graduate work or careers in science, mathematics, and technology;

"(4) improving access of undergraduate students at minority institutions to careers in the sciences, mathematics, and engineering;

"(5) improving access of minority students to careers in the sciences, mathematics, and engineering;

"(6) improving access for pre-college minority students to careers in science, mathematics, and engineering through community outreach programs conducted through colleges and universities eligible for support through the Minority Science and Engineering Improvement Programs;

"(7) disseminating activities, information, and educational materials designed to address specific barriers to the entry of minorities into science and technology, and conducting activities and studies concerning the flow of underrepresented ethnic minorities into scientific careers;

"(8) supporting curriculum models to encourage minority student participation in research careers in science, mathematics, and technology; and

"(9) improving the capability of minority institutions for self-assessment, management, and evaluation of their science, mathematics, and engineering programs and dissemination of their results.

"SUBPART 3—ADMINISTRATIVE AND GENERAL PROVISIONS

"ELIGIBILITY FOR GRANTS

"SEC. 1041. Eligibility to receive grants under this part is limited to—

"(1) public and private nonprofit institutions that are minority institutions (as defined in section 1046(3));

"(2) nonprofit science-oriented organizations, professional scientific societies, and all nonprofit, accredited colleges and universities which provide a needed service to a group of eligible minority institutions or which provide in-service training for project directors, scientists, and engineers from eligible minority institutions; and

"(3) for the purposes of section 1032, public and private nonprofit institutions that have at least 10 percent minority enrollment.

"GRANT APPLICATION

"SEC. 1042. (a) SUBMISSION AND CONTENTS OF APPLICATIONS.—An eligible applicant (as determined under section 1041) that desires to receive a grant under this part shall submit to the Secretary an application therefor at such time or times, in such manner, and containing such information as the Secretary may prescribe by regulation. Such application shall set forth—

"(1) a program of activities for carrying out one or more of the purposes described in section 1021(b) in such detail as will enable the Secretary to determine the degree to which such program will accomplish such purpose or purposes; and

"(2) such other policies, procedures, and assurances as the Secretary may require by regulation.

"(b) Approval Based on Likelihood of Progress.—The Secretary shall approve an application only if the Secretary determines that the application sets forth a program of activities which are likely to make substantial progress toward achieving the purposes of this part.

"CROSS PROGRAM AND CROSS AGENCY COOPERATION

"Sec. 1043. The Minority Science and Engineering Improvement Programs shall cooperate with other programs within the Department and within Federal, State, and private agencies which carry out programs to improve the quality of science, mathematics, and engineering education.

"ADMINISTRATIVE PROVISIONS

"Sec. 1044. (a) Technical Staff.—The Secretary shall appoint, without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, not less than 2 technical employees with appropriate scientific and educational background to administer the programs under this part who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(b) Procedures for Grant Review.—The Secretary shall establish procedures for reviewing and evaluating grants and contracts made or entered into under such programs. Procedures for reviewing grant applications, based on the peer review system, or contracts for financial assistance under this title may not be subject to any review outside of officials responsible for the administration of the Minority Science and Engineering Improvement Programs.

"ADVISORY PROVISIONS

"Sec. 1045. (a) Advisory Board for the Minority Science and Engineering Improvement Programs.—There shall be established an Advisory Board for the Minority Science and Engineering Improvement Programs. The Board shall consist of 9 members, at least 6 of whom must be racial and national origin minority scientists, engineers, or science or engineering educators. In constituting the initial Board under subsection (c), efforts shall be made to achieve a balance on the Board with respect to sexual, geographic, and institutional background.

"(b) Purposes of the Board.—The Board shall act as an advisory group to the program. Drawing on the expertise of members, the Board will recommend to the Secretary and the director of the program those policies, procedures, and other measures which will further the efforts made through the program to improve the quality of science and engineering education by contributing to the access and retention of ethnic minorities in science and engineering education programs. Upon the request of the Secretary, the Board may be called upon to advise the Secretary on any matters within the Department which could be expected to have an impact on the access of minority students to careers in science, mathematics, or engineering.

"(c) Constitution of Board.—The initial Board shall be constituted in as follows:

"(1) The Director of the Programs shall solicit nominations for the Board from present and past grant recipients of the Minority Institutions Science Improvement Program. The Director shall select from among the nominees 18 candidates whose names shall be given to the Secretary.

"(2) The Secretary shall choose 9 Board members from among the 18 presented.

"(3) The Secretary shall assign 3 Board members to a 3-year term, 3 members to a 4-year term, and 3 members to a 5-year term. Upon expiration of these initial terms, replacement Board members shall serve for 3-year terms. Board members may serve more than one term.

"(4) The Chair of the Board shall be selected by a simple majority vote of Board members and will serve a single term.

"(5) Vacancies on the Board shall be filled by the Board soliciting nominees from institutions eligible to receive grants through the Program. From among the nominees the present and immediate past Chair of the Board shall submit at least 2 nominees for each vacancy to the Secretary, who shall fill vacancies from among the names submitted.

"(d) Compensation of the Board.—Members of the Board shall receive compensation at a rate not to exceed the daily equivalent of the maximum annual rate of basic pay in effect for grade GS–15 of the General Schedule for each day (including traveltime) during which they are engaged in the actual performance of duties vested in the Board.

"DEFINITIONS

"Sec. 1046. For the purpose of this part—

"(1) The term 'accredited' means currently certified by a nationally recognized accrediting agency or making satisfactory progress toward achieving accreditation.

"(2) The term 'minority' means American Indian, Alaskan Native, Black (not of Hispanic origin), Hispanic (including persons of Mexican, Puerto Rican, Cuban, and Central or South American origin), Pacific Islander or other ethnic group underrepresented in science and engineering.

"(3) The term 'minority institution' means an institution of higher education whose enrollment of a single minority or a combination of minorities (as defined in paragraph (2)) exceeds 50 percent of the total enrollment. The Secretary shall verify this information from the data on enrollments in the higher education general information surveys (HEGIS) furnished by the institution to the Office for Civil Rights, Department of Education.

"(4) The term 'science' means, for the purpose of this program, the biological, engineering, mathematical, physical, and social sciences, and history and philosophy of science; also included are interdisciplinary fields which are comprised of overlapping areas among two or more sciences.

"(5) The term 'underrepresented in science and engineering' means a minority group whose number of scientists and engineers per 10,000 population of that group is substantially below the comparable figure for scientists and engineers who are white and not of Hispanic origin.

"(6) The term 'institutional grant' means a grant that supports the implementation of a comprehensive science improvement plan, which may include any combination of activities for improving the preparation of minority students for careers in science.

"(7) The term 'cooperative grant' means a grant that assists groups of nonprofit accredited colleges and universities to work together to conduct a science improvement program.

"(8) The term 'design projects' means projects that assist minority institutions that do not have their own appropriate resources or personnel to plan and develop long-range science improvement programs.

"(9) The term 'special projects' means—

"(A) a special project grant to a minority institution which support activities that—

"(i) improve the quality of training in science and engineering at minority institutions; or

"(ii) enhance the minority institutions' general scientific research capabilities; or

"(B) a special project grant to any eligible applicant which supports activities that—

"(i) provide a needed service to a group of eligible minority institutions; or

"(ii) provide in-service training for project directors, scientists, and engineers from eligible minority institutions.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1047. (a) AUTHORIZATIONS.—There are authorized to be appropriated to carry out the purposes of this part, $7,500,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(b) APPROPRIATION LIMITATION.—For any fiscal year, 50 percent of the funds under this part shall be allocated for the purpose of section 1021, 33.33 percent for the purpose of section 1031, and 16.67 percent for the purpose of section 1032.".

SEC. 1003. INNOVATIVE PROJECTS AUTHORIZED.

Title X of the Act is further amended by adding at the end thereof the following new part:

"PART C—INNOVATIVE PROJECTS FOR COMMUNITY SERVICES AND STUDENT FINANCIAL INDEPENDENCE

"STATEMENT OF PURPOSE

"SEC. 1061. It is the purpose of this part to support innovative projects in order to determine the feasibility of encouraging student participation in community service projects in exchange for educational services or financial assistance and thereby reduce the debt

acquired by students in the course of completing postsecondary educational programs.

"INNOVATIVE PROJECTS FOR COMMUNITY SERVICES AND STUDENT FINANCIAL INDEPENDENCE

"SEC. 1062. (a) GENERAL AUTHORITY.—The Secretary is authorized, in accordance with the provisions of this part, to make grants to and contracts with institutions of higher education (including combinations of such institutions) and with such other public agencies and nonprofit private organizations as the Secretary deems necessary for innovative projects designed to carry out the purpose of this part.

"(b) APPLICATIONS.—No grant may be made and no contract may be entered into under this section unless an application is made at such time, in such manner, and contained or accompanied by such information as the Director may require.

"(c) APPLICABLE PROCEDURES.—(1) No application may be approved under subsection (b) unless the National Board of the Fund for Improvement of Postsecondary Education, under procedures established by the Director, approves the application.

"(2) The provisions of section 1004(b) shall apply to grants made under this part.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1063. (a) There are authorized to be appropriated to carry out this part, $3,000,000 for fiscal year 1987, and such sums as may be necessary for the 4 succeeding fiscal years.

"(b) No funds may be appropriated pursuant to subsection (a) for any fiscal year unless funds are appropriated for part A of this title for such fiscal year.".

SEC. 1004. TECHNICAL AMENDMENT.

The headings of title X, and of part A of title X, of the Act are amended to read as follows:

"PART A—FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION"

TITLE XI—PARTNERSHIPS FOR ECONOMIC DEVELOPMENT AND URBAN COMMUNITY SERVICE

SEC. 1101. PROGRAM AUTHORIZED.

Title XI of the Act is amended to read as follows:

"TITLE XI—PARTNERSHIPS FOR ECONOMIC DEVELOPMENT AND URBAN COMMUNITY SERVICE

"PART A—PARTNERSHIPS FOR ECONOMIC DEVELOPMENT

"FINDINGS AND PURPOSE

"SEC. 1101. (a) FINDINGS.—The Congress finds that—

"(1) there is a need for more systematic and comprehensive efforts to link postsecondary education institutions with State and local governments, labor, business, industry, and communi-

ty organizations, in order to meet local problems, and to plan, maintain, and attract lasting economic improvement;

"(2) effective economic development is enhanced by the active participation of postsecondary education institutions;

"(3) the economic vitality and international competitiveness of the United States depends on using all available resources; and

"(4) Federal leadership is critical to promoting such competitiveness efforts.

"(b) PURPOSE.—The purpose of this part is to encourage the involvement of postsecondary education institutions with units of government, labor, business, industry, and community organizations to—

"(1) conduct planning, research, and activities which promote economic development and the expansion and retention of jobs on the local, State, and regional level;

"(2) develop programs for job retraining and expanding business and industry opportunities in the area;

"(3) enhance local growth initiatives through utilization of their expertise in economic and community development; and

"(4) demonstrate new approaches to economic development partnerships and to make them available to other areas of the Nation.

"USE OF ECONOMIC DEVELOPMENT FUNDS

"SEC. 1102. (a) ALLOWABLE ACTIVITIES.—An eligible institution or consortium of such institutions may apply for assistance under this part to support—

"(1) planning and research (including applied research) directed at solving local economic development problems, promoting growth, and improving productivity;

"(2) resource exchanges between faculty, government personnel, and private sector experts in economic development activities; and

"(3) any combination of the activities described in subparagraphs (A) and (B) which promote local economic development.

"(b) SPECIAL PROJECTS AUTHORIZED.—Special projects which may be supported under subsection (a)(2) are projects which address broad or national economic development issues, are innovative in their approach, and hold promise of application beyond the area served. Such projects may include—

"(1) the application of technology research to manufacturing aspects of mature industries in a region or State;

"(2) the design and development of technical assistance centers based at eligible institutions which will provide an integrated program of education, research, and technology transfer to business and industry;

"(3) projects to support entrepreneurship training and technical assistance; and

"(4) projects to develop new approaches or complement efforts to explore, expand, and foster opportunities for international business and trade.

"(c) Dissemination Projects.—In addition to the activities described in subsections (a) and (b), the Secretary is authorized to make a limited number of grants to identify and disseminate effective models and techniques which use partnerships between postsecondary education institutions and others involved in economic development to support economic improvement.

"(d) Maximum Grant.—The maximum grant awarded under subsection (a) for any fiscal year shall be $50,000, except that the limitation contained in this paragraph shall not apply in the case of an application submitted by a consortium of eligible institutions.

"REQUIREMENTS FOR ECONOMIC DEVELOPMENT GRANT APPLICATIONS

"Sec. 1103. (a) Local Involvement.—The Secretary may make grants under this part to an eligible institution or consortium of such institutions that demonstrates in its application a proposed program that will involve the active participation of and commitment of resources and personnel by—

"(1) local or State units of governments;

"(2) business or industry;

"(3) labor unions or union representatives; and

"(4) nonprofit organizations concerned with economic development in the area to be served.

"(b) General Conditions.—Each application under this part shall be filed with the Secretary at such time or times as the Secretary may prescribe. The application shall—

"(1) set forth a program which is likely to make substantial progress toward achieving the purposes of this part;

"(2) provide for an effective dissemination of information on successful results of the activities;

"(3) provide assurances that an assessment has been made of Federal and State resources and that the resources are unavailable for the proposed activity;

"(4) describe the consultation and, if appropriate, coordination with other Federal and State economic development efforts;

"(5) contain assurances that the eligible institution will, to the extent practicable, coordinate its use of resources available for student assistance in a manner which will support the activities conducted under this part;

"(6) describe how the plan fits into the overall economic development plan for the area to be served, contributes to long-term economic growth and employment opportunities, and furthers the goals of the postsecondary education institution; and

"(7) contain such other information and assurances as the Secretary may require by regulation.

"(c) Special Consideration.—In making grants under this part, the Secretary shall give special consideration to applications which—

"(1) propose to serve an area which—

"(A) has an unemployment rate 1 percent above the national average unemployment rate for the most recent 24-month period, or

"(B) has experienced or is about to experience sudden economic dislocation resulting in job loss that is significant, both in terms of the number of jobs eliminated and the effect upon the employment rate of the area;

"(2) are submitted by a consortia of postsecondary education institutions, including 4- and 2-year, public and private postsecondary education institutions, and provides a regional geographic approach to solving economic development problems; or

"(3) develop approaches which promote economic diversification for rural areas or areas whose economy is dependent upon a single industry or single employer.

"PART B—URBAN COMMUNITY SERVICE

"PURPOSE

"SEC. 1111. It is the purpose of this part to encourage the use of urban universities as sources of skills, talents, and knowledge which can serve the urban areas in which they are located in meeting urban problems.

"USE OF URBAN COMMUNITY SERVICE FUNDS

"SEC. 1112. (a) ALLOWABLE ACTIVITIES.—An eligible institution that is an urban university, or consortium of such institutions, may apply for assistance under this part to support cooperative projects through which such universities provide urban areas with applied research, planning services, specialized training, technical assistance or other services to address high priority needs of such urban areas.

"(b) PRIORITY NEEDS.—Each eligible urban university shall establish high priority needs through consultation with local government, business, labor, or community-based organizations.

"CONTENTS FOR APPLICATIONS FOR URBAN COMMUNITY SERVICES PROJECTS

"SEC. 1113. (a) EVALUATION AND SELECTION OF APPLICATIONS.—An application submitted under this part shall—

"(1) contain assurances that the chief executive officer of the local government has been given a reasonable opportunity to review and comment on the proposed project or projects; and

"(2) show participation of any local agency of general government and of the community in the development and implementation of each project for which assistance is sought.

"(b) SELECTION PRIORITIES.—The Secretary shall give priority to applications which contain cooperative arrangements among urban universities, community colleges, and other institutions of higher education and other entities in the public, private, and nonprofit sectors within an urban area.

"PART C—GENERAL PROVISIONS

"ADMINISTRATIVE PROVISIONS

"SEC. 1121. (a) PEER REVIEW.—The Secretary shall designate a peer review panel to review applications submitted under parts A and B of this title and make recommendations for funding to the Secretary. In selecting the peer review panel, the Secretary shall consult with other appropriate Cabinet-level officials and non-Federal organizations, to ensure that the panel will be geographically balanced and be composed of an equal number of representatives from public and private higher education, labor, business, and State and local government who have expertise in economic development and urban community service.

"(b) DURATION OF GRANTS.—Subject to the availability of appropriations, grants under parts A and B may be made on a multiyear basis, except that no institution, individually or as a participant in a combination of such institutions may receive a grant for one project for more than 5 years.

"(c) GEOGRAPHIC DISTRIBUTION.—The Secretary shall award grants under parts A and B in such a manner as to achieve broad and equitable distribution of assistance throughout the Nation.

"(d) NON-FEDERAL MATCH REQUIRED.—An applicant under parts A and B and the organizations associated with its application shall contribute to the conduct of the program supported by the grant an amount from non-Federal sources equal to at least one-fourth the amount of the grant, which contribution may be in cash or in services, supplies, or equipment.

"(e) WAIVER OF MATCHING REQUIREMENT.—The Secretary may waive the requirement of subsection (d) with respect to an eligible institution that demonstrates a unique hardship that precludes its compliance with that requirement.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1122. There are authorized to be appropriated to carry out parts A and B of this title $15,000,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years. The Secretary shall allocate 66 2/3 percent of the funds appropriated under this title for part A and 33 1/3 percent for part B.

"DEFINITIONS

"SEC. 1123. As used in this title—

"(1) the term 'eligible institution' has the meaning given such term by section 435(a) of this Act;

"(2) the term 'urban area' means a metropolitan statistical area having a population of not less than 500,000 individuals; or in any State which does not have a standard metropolitan statistical area which has such a population, the entity of the State having an agreement under section 1203 may, or if no such entity has an agreement, the Secretary shall designate one urban area for the purpose of this part; and

"(3) the term 'urban university' means an institution of higher education or a consortium of institutions of higher education, any one of which meets all the requirements of this paragraph which—

"(A) is located in an urban area,

"(B) draws a substantial portion of its undergraduate students from the urban area in which it is located or contiguous students from the urban area in which it is located or contiguous areas, "(C) carries out programs to make postsecondary education opportunities more accessible to residents of such urban area or contiguous areas,

"(D) has the present capacity to provide resources responsive to the needs and priorities of such urban area and contiguous areas,

"(E) offers a range of professional or graduate programs sufficient to sustain its capacity to provide such resources, and

"(F) has demonstrated and sustained a sense of responsibility to such urban area and contiguous areas and its people.

"PART D—WAGNER INSTITUTE OF URBAN PUBLIC POLICY

"PURPOSE; DESIGNATION

"SEC. 1131. It is the purpose of this part to provide assistance to the City University of New York to enable the University to establish a center to coordinate resources for the development of solutions to pressing urban and social problems. The institute shall be known as the 'Robert F. Wagner, Sr., Institute of Urban Public Policy' (hereafter in this part referred to as the 'Institute').

"APPLICATION FOR AND USE OF FUNDS

"SEC. 1132. (a) APPLICATION.—No payment may be made under this part except upon application at such time, in such manner, and containing or accompanied by such information as the Secretary may require.

"(b) USE OF FUNDS.—Payments made under this part may be used by the City University of New York to establish and operate the Institute and to support the following activities of the institute:

"(1) The Institute shall inventory and assess academic research, education, and training capabilities with respect to urban redevelopment strategies. The Institute shall ensure that information derived from this activity shall be available for use in public policy debates on solutions to urban problems.

"(2) The Institute shall conduct a series of forums to promote and coordinate decisionmaking on urban problems. Such forums shall be focused upon such issues as economic development, youth employment, law enforcement, education, services to the elderly, health care delivery systems, and immigration patterns. Participants in such forums shall be drawn from Federal, State, and local government, the business and professional community, labor, education, and community based organizations.

"(3) In developing topics for the forums to be conducted under paragraph (2), and in establishing priorities for the allocation of its resources, the Institute shall establish and regularly consult with an advisory council of urban advisors representing leaders in government, business, labor, education, and community based operations.

"(4) The Institute shall prepare and publish reports on the forums conducted pursuant to paragraph (2) and publish and disseminate the results of its research activities.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1133. There are authorized to be appropriated to carry out this part, $2,000,000, which may remain available until expended.".

TITLE XII—GENERAL PROVISIONS

SEC. 1201. TREATMENT OF TERRITORIES AND TERRITORIAL STUDENT ASSISTANCE.

Section 1204 of the Act is amended—

(1) by striking out the first sentence of subsection (a) and inserting in lieu thereof the following: "Within 6 months after the date of enactment of the Higher Education Amendments of 1986, the Secretary shall promulgate regulations in accordance with the recommendations in the report entitled 'Postsecondary Education in the U.S. Territories' (May 1982) in order to adapt programs under this Act to the needs of Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands.";

(2) by striking out "October 1, 1985" in subsection (c) and inserting in lieu thereof "October 1, 1991,"; and

(3) by striking out subsection (b), by redesignating subsection (a) as subsection (b), and by inserting before such subsection the following new subsection:

"(a) The Secretary is required to waive the eligibility criteria of any postsecondary education program administered by the Department where such criteria does not take into account the unique circumstances in Guam, the Virgin Islands, American Samoa, the Trust Territories of the Pacific Islands, and the Northern Mariana Islands. Priority shall be given to proposals submitted by these territories which otherwise meet program criteria.".

SEC. 1202. REAUTHORIZATION OF THE NATIONAL ADVISORY COMMITTEE ON ACCREDITATION AND INSTITUTIONAL ELIGIBILITY.

Section 1205(f) of the Act is amended by striking out "September 30, 1985" and inserting in lieu thereof "September 30, 1991".

SEC. 1203. COMMISSION TO STUDY POSTSECONDARY INSTITUTIONAL AND PROGRAMMATIC RECOGNITION PROCESS.

Title XII of the Act is amended by adding at the end thereof the following new section:

"COMMISSION TO STUDY POSTSECONDARY INSTITUTIONAL AND PROGRAMMATIC RECOGNITION PROCESS

"SEC. 1206. (a) There is established in the legislative branch a Joint Study Commission on Postsecondary Institutional Recognition (hereafter in this section referred to as the 'Commission').

"(b) The Commission shall be composed of 5 members appointed jointly by the President pro tempore of the Senate, upon the recommendation of the Majority Leader and the Minority Leader, and by the Speaker of the House of Representatives, upon the recommendation of the Majority Leader and the Minority Leader.

"(c)(1) Members of the Commission shall be appointed, on the basis of their integrity, impartiality, and good judgment, from among individuals who, as a result of their training, experience, and attainment, are widely recognized by professionals in the fields of education and governmental administration as experts in those fields.

"(2) A majority of the members of the Commission may not, at the time of their appointment, be serving as either employees or officers of any accrediting agency or an organization of accrediting agencies, currently serving as administrators of accredited institutions, or be current or past members of the Advisory Committee on Accreditation and Institutional Eligibility of the Department.

"(3) Vacancies in the membership of the Commission shall not affect the power of the remaining members to perform the duties of the Commission and shall be filled in the same manner in which the original appointment was made.

"(4) Each member of the Commission not otherwise employed by the United States Government shall receive the daily equivalent of the annual basic pay for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day during which such member is actually engaged in the performance of the duties of the Commission. Each member of the Commission shall be allowed travel expenses in the same manner as any individual employed intermittently by the Federal Government is allowed travel expenses under section 5703 of title 5, United States Code.

"(d)(1) The Commission shall conduct a thorough study of the institutional and programmatic recognition process used by the Department in determining institutional or programmatic eligibility for student participation in Federal student assistance programs under this Act with attention being given to the accreditation of various types of public and private postsecondary institutions and programs.

"(2) The study shall address, analyze, and report specifically on—

"(A) the comprehensiveness of the standards and criteria used by existing accreditation agencies;

"(B) the reliability and validity of the institutional and programmatic review processes used by the existing accreditation agencies;

"(C) the adequacy of the current accreditation methodology and system;

"(D) alternative structures, standards, criteria, and processes that might be used in accrediting institutions and programs;

"(E) the indicators of educational quality that might be incorporated into the accreditation process;

"(F) the educational outcome measurements that might be used in the accreditation process;

"(G) the indicators of institutional and programmatic quality that should be provided to applicants and students; and

"(H) alternative approaches that might be used by the Secretary for institutional and programmatic recognition to permit student participation in Federal student assistance programs,

as each factor bears on eligibility for participation in Federal student assistance programs.

"(3) The study shall also include an analysis of—

"(A) the processes and procedures currently utilized by the Secretary and the Department in determining institutional and program eligibility for receiving Federal student assistance funds;

"(B) the operations and effectiveness in carrying out eligibility determination of the division of the Department referred to as the 'Division of Eligibility and Agency Evaluation';

"(C) review of alternatives to accreditation in determining eligibility and their acceptability;

"(D) the role and effectiveness of, participation agreements, between institutions and programs and the Department in determining specific institutional program eligibility for Federal funds;

"(E) the ability of the Department to enforce conditions specified in participation agreements, including institutional and program audits;

"(F) the current status, functioning, and effectiveness of the National Advisory Committee on Accreditation and Institutional Eligibility, including its role in developing criteria for recognition of accrediting agencies and evaluating their success in assessing the quality of the education or training offered.

"(e) The Commission shall adopt procedures allowing any interested party to submit information with respect to the recognition process, including critiques of current accrediting agency recognition procedures, accreditation procedures, possible alternative procedures, and proposed changes in criteria for recognition of individual accrediting agencies.

"(f) The Commission shall prepare a narrative and statistical report consisting of—

"(1) an overview description of the voluntary accrediting process used for postsecondary education in the United States; and

"(2) a brief description of each accrediting agency recognized by the Department.

The report shall include at least a statement of the agency's purpose and a description of the organizational and governance structure of the agency, the agency's accreditation and visitation procedures, employers of members of the accrediting agency's governing body, the agency's sources of financial support, and such background information as the Commission may request from the agency regarding the number of members, number of candidates for accreditation, number of members voluntarily withdrawn after membership, number of applications withdrawn before membership, number of members dropped, and number of applicants denied accreditation. The report shall include the types of information shared among the various accrediting agencies, the degree of duplication among accrediting agencies in the current system, and an analysis of reported complaints by the agency and its member institutions and programs.

"(g) The Commission shall also prepare a report on—

"(1) the history, operation, procedures, and the role and adequacy of staff of the division described in subsection (e)(3)(B);

"(2) the history and current operations of the National Advisory Committee on Accreditation and Institutional Eligibility, including current criteria for Federal recognition of accrediting

bodies, how the criteria were developed, possible modifications, and procedures for accomplishing this; and

"(3) with respect to the Department in general, an overview of its role in the institutional and programmatic recognition process as it relates to eligibility for Federal student assistance, including recommendations, if appropriate, on how this role might be changed and improved.

"(h)(1)(A) By agreement between the President pro tempore of the Senate and the Speaker of the House of Representatives, the Commission is authorized to secure on a reimbursable basis, office space, clerical personnel, travel expenses, and such supplies and equipment as may be necessary for the Commission to carry out the study.

"(B) Subject to such limitations as the President pro tempore of the Senate and the Speaker of the House of Representatives may jointly prescribe, the Commission may appoint such personnel as the Commission deems necessary and fix the compensation at an annual rate that does not exceed the rate of basic pay then payable for GS-18 of the General Schedule under section 5332 of title 5, United States Code, and may procure by contract the temporary and intermittent services of clerical personnel and experts or consultants, or organizations thereof.

"(2) In conducting the study authorized by this section, the Commission is authorized to—

"(A) seek such assistance and support as may be required to conduct the study from appropriate Federal agencies;

"(B) arrange for the detail of staff personnel from other Federal agencies;

"(C) enter into contracts and make other arrangements, as may be necessary for the conduct of the study;

"(D) convene such technical groups as deemed necessary to secure information about the existing recognition process; and

"(E) provide transportation and subsistence for persons serving without compensation.

"(3) Upon request by the Commission, the head of any Federal agency is authorized to detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist in the conduct of the study.

"(i) The Commission shall submit a report of the findings and recommendations of the study required by this section to the Postsecondary Education Subcommittee of the Education and Labor Committee of the House of Representatives and the Subcommittee on Education, Arts, and Humanities of the Labor and Human Resources Committee of the Senate not later than one year after funds are appropriated and made available for this study.

"(j) There are authorized to be appropriated $1,000,000 to carry out the study authorized by this section.".

SEC. 1204. STUDENT REPRESENTATION.

Title XII of the Act is further amended by adding at the end thereof the following new section:

"STUDENT REPRESENTATION

"SEC. 1207. The Secretary shall, in appointing individuals to any commission, committee, board, panel, or other body in connection

with the administration of this Act, include individuals who are, at the time of appointment, attending an institution of higher education.".

SEC. 1205. FINANCIAL RESPONSIBILITY OF FOREIGN STUDENTS.

Title XII of the Act is further amended by adding at the end thereof the following new section:

"FINANCIAL RESPONSIBILITY OF FOREIGN STUDENTS

"SEC. 1208. Nothing in this Act or any other Federal law shall be construed to prohibit any institution of higher education from requiring a student who is a foreign national (and not admitted to permanent residence in the United States) to guarantee the future payment of tuition and fees to such institution by (1) making advance payment of such tuition and fees, (2) making deposits in an escrow account administered by such institution for such payments, or (3) obtaining a bond or other insurance that such payments will be made.".

SEC. 1206. DISCLOSURES OF FOREIGN GIFTS.

(a) GENERAL RULE.—Title XII of the Act is further amended by adding at the end thereof the following new section:

"DISCLOSURES OF FOREIGN GIFTS

"SEC. 1209. (a) Whenever any institution receives a gift from or enters into a contract with a foreign source, the value of which is $250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution shall file a disclosure report with the Secretary on January 31 or July 31, whichever is sooner.

"(b) Each report to the Secretary required by this Act shall contain:

"(1) For gifts received from or contracts entered into with a foreign source other than a foreign government, the aggregate dollar amount of such gifts and contracts attributable to a particular country. The country to which a gift is attributable is the country of citizenship, or if unknown, the principal residence for a foreign source who is a natural person, and the country of incorporation, or if unknown, the principal place of business, for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the aggregate amount of such gifts and contracts received from each foreign government.

"(c) Notwithstanding the provisions of subsection (b), whenever any institution receives a restricted or conditional gift or contract from a foreign source, the institution shall disclose:

"(1) For such gifts received from or contracts entered into with a foreign source other than a foreign government, the amount, the date, and a description of such conditions or restrictions. The report shall also disclose the country of citizenship, or if unknown, the principal residence for a foreign source which is a natural person, and the country of incorporation, or if unknown, the principal place of business for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the amount, the date, a description of such conditions or restrictions, and the name of the foreign government.

"(d)(1) If an institution described under subsection (a) is within a State which has enacted requirements for public disclosure of gifts from or contracts with a foreign source that are substantially similar to the requirements of this section, a copy of the disclosure report filed with the State may be filed with the Secretary in lieu of a report required under subsection (a). The State in which the institution is located shall provide to the Secretary such assurances as the Secretary may require to establish that the institution has met the requirements for public disclosure under State law if the State report is filed.

"(2) If an institution receives a gift from, or enters into a contract with, a foreign source, where any other department, agency, or bureau of the executive branch requires a report containing requirements substantially similar to those required under this Act, a copy of this report may be filed with the Secretary in lieu of a report required under subsection (a).

"(e) All disclosure reports required by this Act shall be public records open to inspection and copying during business hours.

"(f)(1) Whenever it appears that an institution has failed to comply with the requirements of this section, including any rule or regulation promulgated thereunder, a civil action may be brought in an appropriate district court of the United States, or the appropriate United States court of any territory or other place subject to the jurisdiction of the United States, to request such court to compel compliance with the requirements of the Act.

"(2) For knowing or willful failure to comply with the requirements of this section, including any rule or regulation promulgated thereunder, an institution shall pay to the Treasury of the United States the full costs to the United States of obtaining compliance, including all associated costs of investigation and enforcement.

"(g) The Secretary may promulgate regulations to carry out the ministerial duties imposed on the Secretary by this section.

"(h) For the purpose of this section—

"(1) the term 'contract' means any agreement for the acquisition by purchase, lease, or barter of property or services by the foreign source, for the direct benefit or use of either of the parties;

"(2) the term 'foreign source' means—

"(A) a foreign government, including an agency of a foreign government;

"(B) a legal entity, governmental or otherwise, created solely under the laws of a foreign state or states;

"(C) an individual who is not a citizen or a national of the United States or a trust territory or protectorate thereof; and

"(D) an agent, including a subsidiary or affiliate of a foreign legal entity, acting on behalf of a foreign source;

"(3) the term 'gift' means any gift of money or property;

"(4) the term 'institution' means any institution, public or private, or, if a multicampus institution, any single campus of such institution, in any State which—

"(A) is legally authorized within such State to provide a program of education beyond high school;

"(B) provides a program for which it awards a bachelor's degree (or provides not less than a 2-year program which is acceptable for full credit toward such a degree) or more advanced degrees; and

"(C) is accredited by a nationally recognized accrediting agency or association and to which institution Federal financial assistance is extended (directly or indirectly through another entity or person), or which institution receives support from the extension of Federal financial assistance to any of its subunits; and

"(5) the term 'restricted or conditional gift or contract' means any endowment, gift, grant, contract, award, present, or property of any kind which includes provisions regarding (A) the employment, assignment, or termination of faculty; (B) the establishment of departments, centers, research or lecture programs, or new faculty positions; (C) the selection or admission of students; or (D) the award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin, or political opinion.".

(b) REPEALER.—Section 1208 of the Act, as added by subsection (a) of this section, is repealed on August 1, 1989.

SEC. 1207. AGGREGATE LIMIT OF AUTHORIZATION OF APPROPRIATIONS.

Title XII of the Act is further amended by adding at the end thereof the following new section:

"AGGREGATE LIMIT OF AUTHORIZATION OF APPROPRIATIONS

"SEC. 1210. Notwithstanding any other provision of this Act, the total amount which may be appropriated to carry out the programs and activities authorized by this Act, other than the programs and activities authorized by subpart 1 of part A and part B of title IV, shall not exceed—

"(1) $3,166,000,000 for fiscal year 1987;

"(2) $3,351,000,000 for fiscal year 1988;

"(3) $3,552,000,000 for fiscal year 1989;

"(4) $3,771,000,000 for fiscal year 1990; and

"(5) $4,007,000,000 for fiscal year 1991.".

TITLE XIII—EDUCATION ADMINISTRATION

PART A—SECRETARIAL STUDIES AND EVALUATIONS

SEC. 1301. SATISFACTORY PROGRESS.

The Secretary, through the Office of Educational Research and Improvement, shall conduct a survey on the impact, if any, on grades of students of the amendments made by this Act to section 484(c) of the Act. The study required by this subsection shall be conducted over the 3-year period ending September 30, 1991. The Secretary, after the end of each year of the study, shall submit to the

Congress a report of the survey required by this subsection, together with such recommendations as the Secretary deems appropriate.

SEC. 1382. NATIONAL ENDOWMENT FOR INTERNATIONAL STUDIES.

(a) STUDY REQUIRED.—The Secretary shall, in consultation with the Director of the United States Information Agency, the Director of the Agency for International Development, the Secretary of State, and the Secretary of Defense, conduct a study on the establishment of a National Endowment for International Studies. The study shall develop a program, a funding plan, and priorities for such an Endowment.

(b) CONDUCT OF STUDY.—In carrying out the study required by this section, the Secretary shall consider—

(1) the extent of the need for international studies programs at all educational levels, not served by this title;

(2) the programs at the Agency for International Development, the United States Information Agency, and the Departments of State, Defense, and Education which can be coordinated to increase the scope and number and kinds of participants in international educational programs;

(3) the feasibility of an Endowment for International Studies, by whom it shall be administered, and procedures for receiving corporate and other private contributions for supplemental funding, similar to Treasury fund accounts at other Federal agencies; and

(4) a comprehensive evaluation of the weaknesses and strengths in international education and foreign language training at all levels of education in our Nation and the role of the Endowment to remedy these weaknesses, and encourage expansion of these strengths.

(c) REPORT.—The Secretary shall prepare and submit to the Congress, not later than one year after the date of enactment of this section, a report on the study required by this section, together with such recommendations, including recommendations for legislation, as the Secretary deems appropriate.

SEC. 1383. DATA STUDY REQUIRED.

(a) CONDUCT OF STUDIES.—The Secretary shall, through the Office of Education Research and Improvement or the Center for Education Statistics, shall conduct the studies required by this section and submit reports thereon to the Congress not later than September 30, 1988. The reports shall contain such recommendations, including recommendations for legislation, as the Secretary deems appropriate.

(b) COST STUDY REQUIRED.—(1) The Secretary shall conduct a study on the escalating cost of higher education. The study required by this section shall—

(A) identify the current cost of obtaining a higher education and determine how that cost has changed in recent years;

(B) determine the specific causes of such changes in cost and the extent to which those causes have contributed to such changes;

(C) forecast the future cost of obtaining a higher education with consideration given to prospective demographic changes in student enrollments;

(D) evaluate the impact of such changes in cost on institutions of higher education, their students, and lower and middle income families,

(E) make recommendations on how such changes in cost can be minimized in the future, and

(F) outline State and Federal policy options which may help to minimize such changes in cost in the future.

(2) In conducting such study, the Secretary shall give special consideration to the impact of escalating costs on lower and middle income students and families, the impact of escalating costs on female and minority students, the impact of escalating costs on the career choices made by students, and the relationship between escalating costs and the Federal student financial assistance programs.

(3) During the conduct of such study, the Secretary shall consult frequently with the Department of Education, the Chairman of the Senate Committee on Labor and Human Resources, and the Chairman of the House Committee on Education and Labor.

(c) STUDENT AID RECIPIENT SURVEY.—(1) The Secretary shall survey student aid recipients on a regular cycle, but not less than once every 3 years—

(A) to identify the population of students receiving Federal student aid;

(B) to determine the income distribution and other socioeconomic characteristics of federally aided students;

(C) to describe the combinations of aid from State, Federal, and private sources received by students from all income groups;

(D) to describe the debt burden of loan recipients and their capacity to repay their education debts; and

(E) to disseminate such information in both published and machine readable form.

(2) The survey shall be representative of full-time and part-time, undergraduate, graduate, and professional and current and former students in all types of institutions, and should be designed and administered in consultation with the Congress and the postsecondary education community.

(d) TEACHER SUPPLY AND DEMAND.—(1) The Secretary shall utilize the legislative authority under section 406(b) of the General Education Provisions Act to annually assess current and future supply and demand for teachers with particular attention to—

(A) long-term and short-term shortages of personnel in various subject areas or teaching specialties;

(B) shortages in particular States or regions;

(C) the number of minorities entering teaching;

(D) the number of women and minorities entering educational administration;

(E) the effect of State curriculum and graduation requirements on the need for teachers in each State;

(F) the extent to which demographic characteristics of persons currently employed as teachers and persons studying to be teachers match the characteristics of the students in each State (race, age, sex);

(G) the academic qualifications of prospective teachers and the academic preparation of persons currently preparing to be teachers;

(H) the effect of the introduction of State mandated teacher competency tests on the demographic and educational characteristics of teachers and the supply of teachers; and

(I) an assessment of new and emerging specialties and the technologies, academic subjects, and occupational areas requiring vocational education, with emphasis on the unique needs for preparing an adequate supply of vocational teachers of handicapped students, with added emphasis on the preparation required to teach combined classrooms of handicapped, or other highly targeted groups of students and other students within a vocational education setting.

(2) The analysis conducted under this subsection may include assessment of other educational needs identified by the Congress, including an assessment of the need for instructional equipment and materials in elementary and secondary schools and in institutions of higher education.

(e) Equitable Student Aid for Farm Families.—The Secretary shall conduct a study of financial aid formulas under title IV of the Act for students in postsecondary educational institutions with special attention to devising a more equitable formula for farm families.

SEC. 1304. EVALUATION OF CONTINUING EDUCATION.

(a) Evaluation.—The Secretary shall enter into a contract with a qualified entity to study and evaluate the programs established under part A of this title.

(b) Secretary's Responsibilities.—The Secretary shall assist in evaluating the status and progress of adult education and postsecondary continuing education in achieving the purposes of this title. Such assistance shall include—

(1) an analysis of the findings of the report under subsection (a) together with suggestions for improvements in planning or program operation; and

(2) an information network on research in adult and continuing education, the operation of model or innovative programs, successful experiences in the planning, administration, and conduct of adult and continuing education programs, and advances in curriculum and instructional practices and technologies.

(c) Report.—Not later than January 1, 1990, the Secretary shall submit a report to the Congress on the program evaluations required under this title and on any progress in fulfilling the goals and purposes of this title. The Secretary may include in the report appropriate recommendations or legislative proposals.

SEC. 1305. STUDY OF BANKRUPTCY TREATMENT OF STUDENTS.

The Secretary shall conduct a study of the treatment of students under chapter 13 of title 11, United States Code, relating to the discharge of student loan indebtedness in bankruptcy proceedings, and of the effect of including such students under that provision of that law. The Secretary shall prepare and submit a report to the Congress on the study required by this section not later than 3 months after the date of enactment of this Act.

SEC. 1306. STUDY OF PELL GRANT LESS THAN HALF-TIME STUDENTS.

The Secretary shall conduct a study to determine the number of less than half-time students who would be eligible for Pell grants by reason of having an expected family contribution of $0 and by reason of having an expected family contribution of $0–$200 for the appropriate academic years. The Secretary shall prepare and submit a report to the Congress not later than September 30, 1988, on the results of the study required by this section.

SEC. 1307. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated $2,700,000 for the fiscal year 1987 and for each of the 2 succeeding fiscal years to carry out the provisions of this part.

PART B—GENERAL ACCOUNTING OFFICE REPORTS

SEC. 1311. STUDY OF PRACTICES OF STATE GUARANTY AGENCIES AND MULTISTATE GUARANTORS UNDER THE GUARANTEED STUDENT LOAN PROGRAM.

(a) STUDY REQUIRED.—The Comptroller General shall conduct a complete study of the practices of State guaranty agencies and multistate guarantors under the guaranteed student loan program authorized by part B of title IV of the Act. The study shall investigate, on a comparative basis—

(1) due diligence practice of lenders;

(2) default rates and recovery rates on student loans;

(3) changes in loan volume;

(4) methods of soliciting student borrowers;

(5) potential for fraudulent double borrowing by students;

(6) participation agreements between the types of guarantor and lenders;

(7) eligible institution participation agreements;

(8) adequacy of reserved funds in relation to guaranty commitments made by the agency and the default risk which such commitments represent, as reflected by the socio-economic background of the borrowers, the category of institution attended, and the historical experience of the agency;

(9) types of services provided to lenders, eligible institutions, and borrowers;

(10) use of funds generated through participation in the guaranteed student loan program by amount and nature of expenses for administrative support for programs other than the guaranteed student loan program;

(11) to what extent the guarantors meet the requirements of truth-in-lending provisions;

(12) profile of borrowers and defaulters of loans guaranteed by the agency and an assessment of the default risks inherent in such loans;

(13) coordination of the loan guaranty program with grant programs;

(14) general student access to loan assistance; and

(15) need for administrative cost allowances by particular guaranty agencies in relation to the default risk faced by the agency, the administrative costs incurred, or needed to be in-

curred by the agency, and other factors relevant to the cost of guaranteeing loans under the program.

(b) Report.—The Comptroller General of the United States shall prepare and submit a report, not later than 2 years after the date of enactment of this Act, to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives on the findings of the study required by subsection (a) of this section, together with such recommendations as the Comptroller General deems appropriate.

SEC. 1312. STUDY OF USE OF MULTIPLE-YEAR LINES OF CREDIT.

The Comptroller General shall evaluate the feasibility and efficiency of permitting students to establish lines of credit with eligible lenders under part B of title IV of the Act that cover more than 2 years of attendance at an institution of higher education. Such evaluation shall determine the extent to which such an arrangement would reduce the administrative costs associated with making separate loans annually under such part. In conducting such evaluation, the Comptroller General shall consult institutions of higher education and eligible lenders under such part. Within 2 years after the date of enactment of this Act, the Comptroller General shall submit to the Congress a report on the results of such evaluation together with such recommendations as the Secretary considers appropriate.

SEC. 1313. STUDY OF MULTIPLE DISBURSEMENT.

The Comptroller General shall evaluate the impact of the multiple disbursement system required for student loans under part B of title IV of the Act on the ability of both students and institutions of higher education to meet their expenses as they arise. Such evaluation shall include an assessment of any other impacts of such system on such students or institutions that the Comptroller General determines to be significant. A report on the results of such evaluation shall be submitted to the Congress not later than 2 years after the date of enactment of this Act.

SEC. 1314. STUDENT LOAN CONSOLIDATION.

The Comptroller General shall evaluate the cost, efficiency, and impact of the consolidation loan program established by the amendments made by this Act to part B of title IV of the Act and shall report to the Congress not later than 2 years after the date of enactment of this Act on the findings and recommendations required by this subsection.

Part C—Costs of Postsecondary Education

SEC. 1321. NATIONAL COMMISSION ON RESPONSIBILITIES FOR FINANCING POSTSECONDARY EDUCATION.

(a) Findings.—The Congress finds—

(1) that institutions of higher education in our Nation and their human and intellectual resources are critical to the future of the American society, and the Nation's economic potential, its strength, security, and freedom, and the quality of life for all citizens are tied to the quality and extent of higher education available;

(2) that it is the responsibility of the Federal Government to establish a clearly defined national policy regarding—

(A) the role and expectations of respective institutions in society (the family unit, institutions of higher education, government, and the individual in financing the costs of postsecondary education); and

(B) the most efficient and effective use of limited Federal, State, and private resources for supplementing the family effort in financing postsecondary education and for creating incentives for individuals and families to plan for financing postsecondary education; and

(3) the appropriate response to economic, budgetary, demographic, and social changes which will require individuals, families, institutions of higher education, and government to plan and adapt to the future needs for student financial assistance for postsecondary education.

(b) Establishment of the Commission.—(1) There is established as an independent agency in the executive branch a commission to be known as the National Commission on Responsibilities for Financing Postsecondary Education (hereafter in this section referred to as the "Commission").

(2) The Commission shall be composed of 9 members, 3 of whom shall be appointed by the President, 3 of whom shall be appointed by the Speaker of the House of Representatives, and 3 of whom shall be appointed by the majority leader of the Senate. The membership of the Commission shall provide expertise and experience in the provision and financing of postsecondary education, including student financial aid administrators, secondary school administrators, individuals skilled in education economics research, individuals having expertise in the development of standards and systems of need analysis for student assistance programs, and individuals with particular expertise in credit financing for postsecondary education.

(c) Duties of the Commission.—

(1) In general.—The Commission shall study and investigate the extent to which—

(A) there is a consistent and coherent Federal policy regarding the appropriate family role in financing the costs of postsecondary education for family members;

(B) the current Federal laws and regulations promote the stated Federal policy; and

(C) the extent to which State laws which remove parental responsibilities for children over 18 years of age conflict with Federal policy in this area.

(2) Report and recommendations.—The Commission shall—

(A) summarize the appropriate findings of the National Commission on Student Financial Assistance;

(B) recommend to the Congress a comprehensive analysis on the extent to which a consensus exists regarding the appropriate role of the family in financing postsecondary education; and

(C) to the extent that a consensus exists, recommend changes in current law that would be required to achieve

the desired Federal policy, including recommendations on Federal incentives to encourage families to plan and save for their financial responsibilities in financing postsecondary education for family members (taking into account the needs of future generations.

(d) Specific Requirements.—In carrying out its responsibilities under subsection (c), the Commission shall make a study of the following areas:

(1) Need analysis.—

(A) The most appropriate mechanisms for measuring student and family ability to pay for postsecondary education.

(B) The incentives and disincentives for family saving in existing need analysis systems.

(C) The feasibility and impact of different need analysis systems and eligibility formulas for determining student and family contributions for Federal and non-Federal grant, loan, and work-study programs.

(D) The extent to which existing systems of need analysis take into account the circumstances of older and non-traditional students, students with minor dependents, and divorced and separated parents.

(E) The extent to which existing systems of need analysis recognize differing regional economic conditions.

(F) The feasibility of a simplified need analysis system for determining ability to pay for low-income families, economically disadvantaged families, and families receiving public assistance benefits.

(G) The postsecondary education financing partnership, and the impact of external influences, such as economic conditions or State-level initiatives, that affect the balance of financial support among students and their families, the Federal Government, States, postsecondary institutions, credit institutions, and the private sector.

(2) Student independence.—The most appropriate mechanisms and factors to be considered in determining student independence and self-support and in determining when families should be expected to provide parental financial information in determining expected family contributions for Federal student assistance programs.

(3) Parental responsibility.—In consultation and cooperation with associations of higher education institutions and administrators, secondary schools, student and parent associations, and other organizations, the most effective means of reinforcing and promoting the principle of parental responsibility for contributing, to the extent that they are able, to the costs of their children's postsecondary education.

(4) Student responsibility.—The most effective mechanisms for measuring student ability to contribute to educational cost through earnings and savings, the extent to which such mechanisms reflect the circumstances of students from disadvantaged families, and the existing levels of student contributions from past, current, and future earnings.

(5) Institutional responsibility.—The most effective mechanisms of reinforcing and promoting the principle of institu-

tional responsibility for providing need-based aid to students attending postsecondary institutions.

(6) GOVERNMENTAL RESPONSIBILITY.—The most efficient and appropriate mechanisms for providing student assistance from the various levels of government.

(7) EARLY INFORMATION, PLANNING, AND INFORMATION TECHNOLOGY.—The extent to which programs providing early information on postsecondary education, costs, and financial aid programs to students and their families influence educational opportunity and family saving.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $1,000,000.

(f) TERMINATION.—The Commission shall terminate 2 years after the initial appointment of members.

PART D—LIBRARY RESOURCES

SEC. 1331. STUDY OF THE EFFECTIVENESS OF THE NEEDS CRITERIA FOR THE COLLEGE LIBRARY RESOURCE PROGRAM AUTHORIZED.

(a) STUDY REQUIRED.—The National Commission on Libraries and Information Sciences shall conduct a study on the effectiveness in directing assistance to libraries with the greatest need of the needs criteria specified in section 211 of the Act.

(b) REPORT TO CONGRESS.—The National Commission on Libraries and Information Sciences shall prepare and submit a report to the Congress not later than 3 years after the conclusion of the first fiscal year in which appropriations are made for the College Library Resource Program authorized by section 211 of the Act, together with such recommendations as the Commission on Libraries and Information Sciences deems appropriate.

PART E—NATIONAL ACADEMY OF SCIENCES STUDY

SEC. 1341. VOLUNTEERS.

(a) STUDY REQUIRED.—The National Academy of Sciences shall conduct a thorough study of how volunteers can best be used in the classroom. The study required by this section shall include—

(1) the feasibility of using recipients of student loans made, assured, or guaranteed under part B of title IV of the Act or part E of such title as part of repayment of such loans;

(2) the use of older Americans as such volunteers;

(3) the use of business persons and other professionals as volunteers; and

(4) the place of incentives to encourage volunteerism.

The study required by this section shall examine the methods of using volunteers designed to provide the greatest flexibility for local educational agencies.

(b) REPORTS REQUIRED.—The National Academy of Sciences shall, not later than one year after the date of enactment of this Act, prepare and submit to the Congress their respective reports, together with a description of programs on the use of volunteers and with such recommendations as the Secretary deems appropriate.

(c) AVAILABILITY OF FUNDS.—The Secretary shall, from funds available for the administration of the Department of Education,

make available not to exceed $500,000 for the study required by this section.

PART F—FAULKNER UNIVERSITY

SEC. 1351. RELIEF OF LIABILITY.

(a) RELIEF OF LIABILITY.—Faulkner University (formerly Alabama Christian College) of Montgomery, Alabama, is relieved of all liability—

(1) to repay to the United States the sum of $167,691.29, plus accrued interest, and

(2) to pay $7,822.50 to the National Direct Student Loan Fund of the Faulkner University,

representing payments inadvertently made pursuant to subpart 1 and subpart 2 of part A and part C of title IV of the Higher Education Act of 1965 and direct student loans inadvertently made under part E of such title IV prior to the receipt of eligibility status for the junior and senior years of the baccalaureate degree programs offered by Faulkner University. In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, full credit shall be given for the amount for which liability is relieved by this section.

(b) SPECIAL RULE.—For the purpose of part B of title IV of the Higher Education Act of 1965, each student in attendance at the Faulkner University of Montgomery, Alabama, receiving a federally insured loan for the academic year 1981-1982 and for the academic year 1982-1983 pursuant to such part B shall be deemed to be in attendance at an eligible institution for that academic year.

PART G—ALIEN YOUTH EDUCATION OPPORTUNITY PANEL

SEC. 1361. DENIAL OF STUDENT ASSISTANCE TO CERTAIN NONCITIZENS.

(a) ESTABLISHMENT OF PANEL.—(1) There is established in the Department of Education a panel to be known as the "Alien Youth Education Opportunity Panel" (hereafter in this section referred to as the "Panel").

(2) The Panel shall be composed of 7 members, 3 of whom shall be appointed by the Secretary, 2 of whom shall be appointed by the Speaker of the House of Representatives, and 2 of whom shall be appointed by the Majority Leader of the Senate.

(b) DUTIES OF PANEL.—The Panel shall study and investigate the extent to which the requirements of section 484(a)(5) of the Act result in the denial of student assistance to long-term residents of the United States who have graduated from United States high schools and the extent to which that denial deprives those individuals of an equal educational opportunity.

(c) REPORT AND RECOMMENDATIONS.—The Panel shall submit a report of its findings and recommendations to the Secretary, the President, and the Congress not later than 2 years after the date of enactment of this section.

(d) ADMINISTRATIVE AND CLERICAL SUPPORT.—The Secretary shall provide the Panel with such administrative and clerical support as it may require to carry out its activities under this section.

(e) COMPENSATION AND EXPENSES.—(1) Members of the Panel who are officers or full-time employees of the United States shall serve

without compensation in addition to that received for their services as officers or employees of the United States; but they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(2) Members of the Panel who are not officers or full-time employees of the United States may each receive reimbursement for travel expenses incident to attending Panel meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(f) ACCESS TO INFORMATION.—The Panel is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Panel.

PART H—BOSTON COLLEGE

SEC. 1371. DEBT PROVISION.

The Secretary is directed to cancel all annual debt service obligations of the receiving institution for fiscal years 1987, 1988, 1989, and 1990 of which the total amount to be cancelled shall not exceed $2,700,000 adjusted as required in fiscal year 1990, for the Department of Education Project Loan #3-1-00665-0 dated August 3, 1981, and shall adjust the loan agreement to reflect the change required by this section without any other provision of law being applicable.

PART I—CARL ALBERT CONGRESSIONAL RESEARCH AND STUDIES CENTER

SEC. 1381. APPROPRIATION PROVISION.

Funds appropriated in Public Law 97-377 under the heading "HIGHER AND CONTINUING EDUCATION", for the Carl Albert Congressional Research and Studies Center, under the terms of H.R. 3598 (97th Congress) shall be available as a direct appropriation without regard to section 3(a) of H.R. 3598 (97th Congress).

TITLE XIV—EDUCATION RESEARCH AND STATISTICS

SEC. 1401. EDUCATIONAL RESEARCH AND IMPROVEMENT.

(a) OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT.—Section 405 of the General Education Provisions Act (20 U.S.C. 1221e) is amended to read as follows:

"OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

"SEC. 405. (a)(1) The Congress declares it to be the policy of the United States to provide to every individual an equal opportunity to receive an education of high quality regardless of race, color, religion, sex, age, handicap, national origin, or social class. Although

the American educational system has pursued this objective, it has not attained the objective. Inequalities of opportunity to receive high quality education remain pronounced. To achieve the goal of quality education requires the continued pursuit of knowledge about education through research, improvement activities, data collection, and information dissemination. While the direction of American education remains primarily the responsibility of State and local governments, the Federal Government has a clear responsibility to provide leadership in the conduct and support of scientific inquiry into the educational process.

"(2) The Congress further declares it to be the policy of the United States to—

"(A) promote the quality and equity of American education;

"(B) advance the practice of education as an art, science, and profession;

"(C) support educational research of the highest quality;

"(D) strengthen the educational research and development system;

"(E) improve educational techniques and training;

"(F) assess the national progress of this Nation's schools and educational institutions, particularly special populations; and

"(G) collect, analyze, and disseminate statistics and other data related to education in the United States and other nations.

"(3) For purposes of this section—

"(A) the term 'Assistant Secretary' means the Assistant Secretary for Educational Research and Improvement established by section 202 of the Department of Education Organization Act;

"(B) the term 'Council' means the National Advisory Council on Educational Research and Improvement established by subsection (c);

"(C) the term 'educational research' includes basic and applied research, development, planning, surveys, assessments, evaluations, investigations, experiments, and demonstrations in the field of education and other fields relating to education;

"(D) the term 'Office' means the Office of Educational Research and Improvement established by section 209 of the Department of Education Organization Act; and

"(E) the terms 'United States' and 'State' include the District of Columbia and the Commonwealth of Puerto Rico.

"(b)(1) It shall be the purpose of the Office to carry out the policies set forth in subsection (a) of this section. The Office shall be administered by the Assistant Secretary and shall include—

"(A) the National Advisory Council on Educational Research and Improvement established in subsection (c);

"(B) the Center for Education Statistics established by section 406; and

"(C) such other units as the Secretary deems appropriate to carry out the purposes of the Office.

"(2) The Office shall, in accordance with the provisions of this section, seek to improve education in the United States through concentrating the resources of the Office on the priority research and development needs described in paragraph (3).

"(3) The needs to which paragraph (2) apply are—

"(A) improving student achievement;

"(B) improving the ability of schools to meet their responsibilities to provide equal educational opportunities for all students, including those with limited English-speaking ability, women, older students, part-time students, minority students, gifted and talented students, handicapped students, and students who are socially, economically, or educationally disadvantaged;

"(C) collecting, analyzing, and disseminating statistics and other data related to education in the United States and other nations;

"(D) improving the dissemination and application of knowledge obtained through educational research and data gathering, particularly to education professionals and policy makers;

"(E) encouraging the study of the sciences, the arts, and the humanities, including foreign languages and cultures;

"(F) improving the data base of information on special populations and their educational status;

"(G) conducting research on adult educational achievement, particularly literacy and illiteracy as it affects employment, crime, health, and human welfare;

"(H) conducting research on postsecondary opportunities, especially access for minorities and women; and

"(I) conducting research on education professionals, especially at the elementary and secondary levels including issues of recruitment, training, retention, and compensation.

"(b) The Secretary shall publish proposed research priorities in the Federal Register every two years, not later than October 1, and shall allow a period of sixty days for public comments and suggestions.

"(c)(1) The Council shall consist of fifteen members appointed by the President, by and with the advice and consent of the Senate. In addition, there shall be such ex officio members who are officers of the United States as the President may designate, including the Assistant Secretary. A majority of the appointed members of the Council shall constitute a quorum. The chairperson of the Council shall be designated by the President from among the appointed members. Ex officio members shall not have a vote on the Council. The members of the Council shall be appointed to ensure that the Council is broadly representative of the general public; the education professions, including practitioners, policymakers and researchers; and the various fields and levels of education.

"(2)(A) Except as provided in subparagraph (B), members shall be appointed to terms of three years.

"(B) Of the members first appointed—

"(i) five shall be appointed for terms of one year;
"(ii) five shall be appointed for terms of two years; and
"(iii) five shall be appointed for terms of three years;

as designated by the President at the time of appointment.

"(C) Any member appointed to fill a vacancy occurring before the expiration of the term for which the predecessor was appointed shall be appointed only for the remainder of such term. A member may serve after the expiration of a term until a successor has taken office.

"(D) An appointed member who has been a member of the Council for six consecutive years shall be ineligible for appointment to the Council during the two-year period following the expiration of the sixth year.

"(3) The Council shall—

"(A) advise the Secretary and the Assistant Secretary on the policies and activities carried out by the Office;

"(B) review and publicly comment on the policies and activities of the Office;

"(C) conduct such activities as may be necessary to fulfill its functions under this subsection;

"(D) prepare such reports to the Secretary on the activities of the Office as are appropriate; and

"(E) submit, no later than March 31 of each year, a report to the President and the Congress on the activities of the Office, and on education, educational research, and data gathering in general.

"(d)(1) In order to carry out the objectives of the Office under this section, the Secretary within the limits of available resources shall—

"(A) conduct educational research;

"(B) collect, analyze, and disseminate the findings of education research;

"(C) train individuals in educational research;

"(D) assist and foster such research, collection, dissemination, and training through grants, cooperative agreements, and technical assistance;

"(E) promote the coordination of educational research and research support within the Federal Government and otherwise assist and foster such research; and

"(F) collect, analyze, and disseminate statistics and other data related to education in the United States and other nations.

"(2)(A) The Secretary may appoint, for terms not to exceed three years (without regard to the provisions of title 5 of the United States Code governing appointment in the competitive service) and may compensate (without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates) such scientific or professional employees of the Office as the Secretary considers necessary to accomplish its functions. The Secretary may also appoint and compensate not more than one-fifth of the number of full-time, regular scientific or professional employees of the Office without regard to such provisions. The rate of basic pay for such employees may not exceed the maximum annual rate of pay for grade GS-15 under section 5332 of title 5 of the United States Code, except that the pay of any employee employed before the date of enactment of the Higher Education Amendments of 1998 shall not be reduced by application of such maximum pay limitation.

"(B) The Secretary may reappoint employees described in subparagraph (A) upon presentation of a clear and convincing justification of need, for one additional term not to exceed three years. All such employees shall work on activities of the Office and shall not be reassigned to other duties outside the Office during their term.

"(C) Individuals who are employed on the date of enactment of this Act and were employed by such Office on April 1, 1994, and who were employed under excepted hiring authority provided by section 209 of the Department of Education Organization Act or this section may continue to be employed for the duration of their current term.

"(3)(A) The Secretary may carry out the activities in paragraph (2)—

"(i) directly;

"(ii) through grants, contracts, and cooperative agreements with institutions of higher education, public and private organizations, institutions, agencies, and individuals; and

"(iii) through the provision of technical assistance.

"(B) When making competitive awards under this subsection, the Secretary shall—

"(i) solicit recommendations and advice regarding research priorities, opportunities, and strategies from qualified experts, such as education professionals and policymakers, personnel of the regional education laboratories and of the research and development centers supported under paragraph (5) and the Council, as well as parents and other members of the general public;

"(ii) employ suitable selection procedures utilizing the procedures and principles of peer review, except where such peer review procedures are clearly inappropriate given such factors as the relatively small amount of a grant or contract or the exigencies of the situation; and

"(iii) determine that the activities assisted will be conducted efficiently, will be of high quality, and will meet priority research and development needs under this section.

"(C) Whenever the Secretary enters into a cooperative agreement under this section, the Secretary shall negotiate any subsequent modifications to the cooperative agreement with all parties to the agreement affected by the modifications.

"(4)(A) In carrying out the functions of the Office, the Secretary shall, in accordance with the provisions of this subsection, support—

"(i) regional educational laboratories established by public agencies or private nonprofit organizations to serve the needs of a specific region of the Nation under the guidance of a regional, broadly representative governing board, the regional agendas of which shall, consistent with the priority research and development needs established by subsection (b)(2) and (3), be determined by the governing boards of such labs;

"(ii) research and development centers established by institutions of higher education, by institutions of higher education in concert with public agencies or private nonprofit organizations, or by interstate agencies established by compact which operate subsidiary bodies established to conduct postsecondary educational research and development;

"(iii) meritorious unsolicited proposals for educational research and related activities that are authorized by this subsection; and

"(iv) proposals that are specifically invited or requested by the Secretary, on a competitive basis, which meet objectives authorized by this subsection.

"(B) Prior to awarding a grant or entering into a contract for a regional educational laboratory or research and development center under subparagraph (A)(i) or (A)(ii), the Secretary shall invite applicants to compete for such laboratories and centers through notice published in the Federal Register.

"(C) Each application for assistance under subparagraph (A)(i) or (ii) as a regional educational laboratory or a research and development center shall contain such information as the Secretary may reasonably require, including assurances that the applicant will—

"(i) be responsible for the conduct of the research and development activities;

"(ii) prepare a long-range plan relating to the conduct of such research and development activities;

"(iii) ensure that information developed as a result of such research and development activities, including any educational methods, practices, techniques, and products, will be appropriately disseminated;

"(iv) provide technical assistance to appropriate educational agencies and institutions; and

"(v) to the extent practicable, provide training for individuals, emphasizing training opportunities for women and members of minority groups, in the use of new educational methods, practices, techniques, and products developed in connection with such activities.

"(D) No grant may be made and no contract entered into for assistance described under subparagraph (A)(iii) or (iv) unless—

"(i) proposals for assistance under this subsection are solicited from regional educational laboratories and research and development centers by the Office;

"(ii) proposals for such assistance are developed by the regional educational laboratories and the research and development centers in consultation with the Office; and

"(iii) the Office determines that the proposed activities will be consistent with the education research and development programs and dissemination activities which are being conducted by the Office.

"(E) No regional educational laboratory or research and development center receiving assistance under this subsection shall, by reason of the receipt of that assistance, be ineligible to receive any other assistance from the Office authorized by law.

"(F) The Secretary shall make available adequate funds to support meritorious, unsolicited proposals as described under subparagraph (A)(iii) and provide sufficient notice of the availability of such funds to individual researchers in all regions of the country.

"(5) The Secretary, from funds appropriated under this section, may establish and maintain research fellowships in the Office, for scholars, researchers, and statisticians engaged in the collection and dissemination of information about education and educational research. Subject to regulations published by the Secretary, fellowships may include such stipends and allowances, including travel *and subsistence expenses provided for under title 5, United States Code, as the Secretary considers appropriate.*

"(6) The Secretary may award grants to institutions of higher education, including technical and community colleges as appropriate, to assess the new and emerging specialties and the technologies, academic subjects, and occupational areas requiring vocational education, with emphasis on the unique needs for preparing an adequate supply of vocational teachers of handicapped students. The Secretary shall give special consideration to the preparation required to teach classrooms of handicapped, or other highly targeted groups of students, in combination with other nonhandicapped or other nontargeted students, within the same vocational education setting.

"(e)(1) In addition to the other responsibilities of the Office under this section, the Office shall carry out, by grant or cooperative agreement with a nonprofit educational organization, a National Assessment of Educational Progress which shall have as a primary purpose the assessment of the performance of children and young adults in the basic skills of reading, mathematics, communication, and other subjects and skills. Such a National Assessment shall—

"(A) collect and report at least once every five years data assessing the performance of students at various age or grade levels in each of the areas of reading, writing, and mathematics;

"(B) report periodically data on changes in knowledge and skills of such students over a period of time;

"(C) conduct special assessments of other educational areas, as the need for additional national information arises;

"(D) include in assessment activities information on special groups of individuals;

"(E) provide technical assistance to State educational agencies and to local educational agencies on the use of National Assessment objectives, primarily pertaining to—

"(i) the basic skills of reading, mathematics, and communication, and

"(ii) on making comparisons of such assessments with the national profile (including special population profiles) and change data developed by the National Assessment; and

"(F) with respect to each State which voluntarily participates in accordance with paragraph (5), provide a statement of information collected by the National Assessment for each such State.

"(2)(A) The organization through which the Office carries out the National Assessment shall be responsible for overall management of the National Assessment. Such organization shall delegate authority to design and supervise the conduct of the National Assessment to an Assessment Policy Committee, established by such organization. The Assessment Policy Committee shall be composed of—

"(i) five members appointed by the organization of whom two members shall be representatives of business and industry and three members shall be representatives of the general public; and

"(ii) fourteen members appointed by the organization from the categories of membership specified in subparagraph (B).

"(B) Members of the Assessment Policy Committee appointed in accordance with subparagraph (A)(ii) shall be—

"(i) one chief State school officer;
"(ii) two State legislators;
"(iii) two school district superintendents;
"(iv) one member of a State board of education;
"(v) one member of a local school board;
"(vi) one Governor of a State;
"(vii) four classroom teachers;
"(viii) one elementary school principal; and
"(ix) one secondary school principal.

"(C) The Assistant Secretary shall serve as an ex officio member of the Assessment Policy Committee. The Assistant Secretary shall also appoint a member of the Council to serve as nonvoting member of the Assessment Policy Committee.

"(D) Members appointed in accordance with subparagraph (A) (i) and (ii) shall be appointed for terms for three years on a staggered basis.

"(3) The Assessment Policy Committee established by paragraph (2) shall be responsible for the design of the National Assessment, including the selection of the learning areas to be assessed, the development and selection of goal statements and assessment items, the assessment methodology, the form and content of the reporting and dissemination of assessment results, and studies to evaluate and improve the form and utilization of the National Assessment. The appropriateness of all cognitive, background, and attitude items developed as part of the National Assessment shall be the responsibility of the Assessment Policy Committee. Such items shall be subject to review by the Department of Education and the Office of Management and Budget for a single period of not more than sixty days.

"(4) Each learning area assessment shall have goal statements devised through a national consensus approach, providing for active participation of teachers, curriculum specialists, subject matter specialists, local school administrators, parents, and members of the general public. All items selected for use in the assessment shall be reviewed to exclude items which might reflect racial, sex, cultural, or regional bias.

"(5) Participation in the National Assessment by State and local education agencies selected as part of a sample of such agencies shall be voluntary.

"(6) The Secretary shall provide for a periodic review of the National Assessment. This review shall provide an opportunity for public comment on the conduct and usefulness of the National Assessment and shall result in a report to the Congress, the President, and the Nation on the findings and recommendations, if any, of the review. The Secretary shall consider the findings and recommendations in designing the competition to select the organization through which the Office carries out the National Assessment.

"(f)(1) There are authorized to be appropriated to carry out this section and section 406 of this Act, $72,231,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(2) The Secretary may not enter into a contract for the purpose of regional educational laboratories under subsection (d)(3)(A)(i) for a period in excess of five years.

"(3) Not less than 95 per centum of funds appropriated pursuant to this subsection for any fiscal year shall be expended to carry out this section through grants, cooperative agreements, or contracts.

"(4) When more than one Federal agency uses funds to support a single project under this section, the Office may act for all such agencies in administering those funds.

"(g)(1) In each fiscal year for which the total amount appropriated to carry out this section and section 406 of this Act equals or exceeds the total amount appropriated for fiscal year 1986 to carry out such sections—

"(A) not less than $17,760,000 shall be available in each fiscal year to carry out subsection (d)(4)(A)(ii) of this section (relating to centers);

"(B) not less than $17,000,000 shall be available in each fiscal year to carry out subsection (d)(4)(A)(i) of this section (relating to labs);

"(C) not less than $5,700,000 shall be available in each fiscal year to assist the education resources information centers pursuant to subsection (d)(3)(A) of this section;

"(D) not less than $4,000,000 shall be available in each fiscal year to carry out subsection (e) of this section (relating to the National Assessment of Educational Progress);

"(E) not less than $8,750,000 shall be available in each fiscal year to carry out section 406 of this Act (relating to the Center for Educational Statistics); and

"(F) not less than $500,000 shall be available in each fiscal year to carry out subsection (d)(4)(A)(iii) of this section (relating to field initiated research).

"(2) If the sums appropriated for any fiscal year are less than the amount required to be made available under subparagraphs (A) through (F) of paragraph (1), then each of the amounts required to be made available under such subparagraphs shall be ratably reduced. If additional amounts become available for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced.".

(b) TRANSITION PROVISIONS.—On the effective date of this title, the property and records of the National Institute of Education shall be transferred to the Office of Educational Research and Improvement.

(c) EMPLOYMENT LIMITATION WAIVER.—Notwithstanding the 3-year employment period limitation under section 405(d)(2) of the General Education Provisions Act, the Secretary may continue to employ for an indefinite period 3 individuals, selected by the Secretary, who are employed by the Office of Educational Research and Improvement on the date of enactment of this Act, were employed by such office on April 1, 1986, and were employed by the National Institute of Education under its excepted hiring authority immediately prior to employment by such office.

(d) TECHNICAL AND CONFORMING AMENDMENTS.—Section 401 of the Department of Education Organization Act (Public Law 96-88) is amended by striking out subsection (c).

SEC. 1402. CENTER FOR EDUCATION STATISTICS.

(a) GENERAL AUTHORITY.—(1) Section 406 of the General Education Provisions Act is amended—

(A) by striking out subsections (e); and

(B) by redesignating subsections (f), (g), (h), and (i) as subsections (e), (f), (g), and (h) respectively.

(2) The heading of such section is amended to read as follows:

"CENTER FOR EDUCATION STATISTICS";

(3) Section 406(a) of the General Education Provisions Act is amended—

(A) in the first sentence by striking out "Office" and everything that follows through the end thereof, and inserting in lieu thereof "Office of Educational Research and Improvement, a Center for Education Statistics (hereafter in this section referred to as the 'Center')."; and

(B) in the second sentence, by striking out "an Administrator" and inserting in lieu thereof "a Director".

(4) Section 406(b) of the General Education Provisions Act is amended—

(A) in the first sentence by inserting ", and analyze," immediately after "collect";

(B) in paragraph (1) by inserting "if feasible, on a State-by-State basis," after "(1)"; and

(C) in paragraph (5) by striking out "Education Division" and inserting "Department of Education".

(5) Section 406(b) of the General Education Provision Act is amended—

(A) by striking out "and" at the end of paragraph (4);

(B) by striking out the period at the end of paragraph (5) and insert in lieu thereof a semicolon and the word "and"; and

(C) by adding at the end thereof the following:

"(6) access periodically the current and projected supply and demand for elementary and secondary school teachers (including teachers at the pre-school level) and early childhood education development personnel with particular attention to—

"(A) long-term and short-term needs for personnel in various subject areas or teaching specialities;

"(B) shortages in particular types of schools or communities, and in States or regions;

"(C) the number of minorities entering teaching;

"(D) the proportions of women and minorities in educational administration, and the trends over time;

"(E) the demographic characteristics, academic qualifications, job preparation, experience and skills of existing teachers and new entrants in the field of education;

"(F) the effect of the introduction of State mandated teacher competency tests on the demographic and educational characteristics of teachers and the supply of teachers; and

"(G) the rate at which teachers leave teaching, their reasons for leaving, the sources of supply for new entrants, and the trends over time.".

(b) Advisory Council.—Section 406(c)(2) of the General Education Provisions Act is amended—

(1) by striking out subparagraph (A);

(2) by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively; and

(3) in subparagraph (A) (as redesignated by paragraph (2)), by striking out "Director of the National Institute of Education," and inserting "Assistant Secretary,".

(c) Annual Report.—Section 406(d)(1) of the General Education Provisions Act is amended by striking out "Assistant Secretary" and inserting "Secretary".

(d) Statistical Records.—Section 406(e) of the General Education Provisions Act (as redesignated in subsection (a)(1)) is amended—

(1) in paragraph (1)—

(A) by striking out "(A)";

(B) by striking out the first sentence and inserting "The Center is authorized to furnish transcripts or copies of tables and other statistical records of the Office and make special statistical compilations and surveys for State and local officials, public and private organizations, and individuals. The Center shall provide State and local educational agencies opportunities to suggest the development of particular compilations of statistics, surveys, and analyses that would assist those educational agencies.";

(C) in the fourth sentence by striking out "Assistant Secretary" each place it appears and inserting "Secretary"; and

(D) by striking out subparagraph (B); and

(2) by striking out paragraph (3).

(e) Authorization of Appropriations.—Section 406(f) of the General Education Provisions Act (as redesignated in subsection (a)(1)) is amended to read as follows:

"(f) Funds to carry out this section are authorized by section 405(g) of this Act.".

(f) Uniform Financing Data.—Section 406(g) of the General Education Provisions Act (as redesignated in subsection (a)(1)) is amended to read as follows:

"(g) In addition to its other responsibilities, the Center shall collect uniform data from the States on the financing of elementary and secondary education. Each State receiving funds under the Education Consolidation and Improvement Act of 1981 shall cooperate with the Center in this effort.".

SEC. 1403. USE OF COUNCIL STAFF AND FACILITIES.

The National Advisory Council on Educational Research and Improvement, the Advisory Council on Education Statistics, and members of such councils may not use any staff, facilities, equipment, supplies, or franking privileges of the councils for activities unrelated to the purposes of the councils.

SEC. 1404. SPECIAL PROJECTS UNDER THE SECRETARY'S DISCRETIONARY FUNDS.

(a) DISCRETIONARY PROGRAMS.—Section 583(a)(1) of the Education Consolidation and Improvement Act of 1981 is amended by striking out ", including" and all that follows before the semicolon.

(b) PRIORITY FUNDING.—Section 583(b) of the Education Consolidation and Improvement Act of 1981 is amended—

(1) by striking out "and" after the comma in paragraph (3);

(2) by inserting "and" after the comma in paragraph (4);

(3) by adding after paragraph (4) the following:

"(5) a National Diffusion Network program as described in subsection (c),";

(4) by striking out "paragraph (4))" and inserting "paragraph (4) and not less than 34 percent of funds reserved for the purposes of this section in the case of the program referred to in paragraph (5))".

(c) NATIONAL DIFFUSION NETWORK.—Section 583 of the Education Consolidation and Improvement Act of 1981 is amended by adding the following subsection (c):

"(c)(1) The National Diffusion Network program under subsection (b)(5) shall be a national program that recognizes and furthers excellence in education by: (A) promoting the awareness and implementation of exemplary educational programs, products, and practices to interested elementary, secondary, and postsecondary institutions throughout the Nation; and (B) promoting the utilization of the knowledge, talents, and services of local staff associated with various educational excellence recognition efforts.

"(2) The program shall be directed toward improving the quality of education through the implementation of promising and validated innovations and improvements in educational programs, products, and practices, and through the provision of training, consultation, and related assistance services.

"(3) In carrying out the program the Secretary shall—

"(A) acquaint persons responsible for the operation of elementary, secondary, and postsecondary schools with information about exemplary educational programs, products, practices, and services;

"(B) assist them in implementing programs, products, and practices, which those persons determine to hold promise for improving the quality of education in the schools for which they are responsible by providing materials, initial training, and ongoing implementation assistance;

"(C) ensure that all such programs, products, and practices are subjected to rigorous evaluation with respect to their effectiveness and their capacity for implementation;

"(D) provide program development assistance toward the recognition, dissemination, and implementation of promising practices that hold the potential for answering critical needs and that have achieved credibility because of their effective use in schools; and

"(E) ensure that a substantial percentage of the innovations disseminated represent significant changes in practice for schools and teachers;

"(4) For the purpose of carrying out the program the Secretary is authorized to make grants to, and contracts with, local educational agencies, State educational agencies, institutions of higher education, and other public and nonprofit private educational institutions and organizations.".

TITLE XV—AMERICAN INDIAN, ALASKA NATIVE, AND NATIVE HAWAIIAN CULTURE AND ART DEVELOPMENT

SEC. 1501. SHORT TITLE.

This title may be cited as the "American Indian, Alaska Native, and Native Hawaiian Culture and Art Development Act".

SEC. 1502. FINDINGS.

The Congress finds that—

(1) Indian art and culture and Native Hawaiian art and culture have contributed greatly to the artistic and cultural richness of the Nation;

(2) Indian art and culture and Native Hawaiian art and culture occupy a unique position in American history as being our only native art form and cultural heritage;

(3) the enhancement and preservation of this Nation's native art and culture has a fundamental positive influence on the American people;

(4) although the encouragement and support of Indian and Native Hawaiian arts and crafts are primarily a matter for private, local, and Indian and Native Hawaiian initiative, it is also an appropriate matter of concern to the Federal Government;

(5) it is appropriate and necessary for the Federal Government to support research and scholarship in Indian art and culture and Native Hawaiian art and culture and to complement programs for the advancement of such art and culture by tribal, private, and public agencies and organizations;

(6) current Federal initiatives in the area of Indian art and culture and Native Hawaiian art and culture are fragmented and inadequate; and

(7) in order to coordinate the Federal Government's effort to preserve, support, revitalize, and disseminate Indian art and culture and Native Hawaiian art and culture, it is desirable to establish—

(A) a national Institute of American Indian and Alaska Native Culture and Arts Development, and

(B) a program for Native Hawaiian culture and arts development.

SEC. 1503. DEFINITIONS.

For the purpose of this title—

(1) The term "Indian art and culture" includes (but is not limited to) the traditional and contemporary expressions of Indian language, history, visual and performing arts, and crafts.

(2) The term "Native Hawaiian art and culture" includes the traditional and contemporary expressions of Native Hawaiian language, history, visual and performing arts, and crafts.

(3) The term "Institute" means the Institute of American Indian and Alaska Native Culture and Arts Development established by this title.

(4) The term "Indian" means any person who is a member of an Indian tribe.

(5) The term "Indian tribe" means any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act), which is recognized as eligible for special programs and services provided by the United States to Indians because of their status as Indians.

(6) The term "Native Hawaiian" means any descendant of a person who, prior to 1778, was a native of the Hawaiian Islands.

(7) The term "Secretary" means the Secretary of the Interior.

(8) The term "Board" means the Board of Trustees of the Institute established under this title.

PART A—AMERICAN INDIANS AND ALASKA NATIVES

SEC. 1305. ESTABLISHMENT OF INSTITUTE.

(a) IN GENERAL.—There is hereby established a corporation to be known as the "Institute of American Indian and Alaska Native Culture and Arts Development", which shall be under the direction and control of a Board of Trustees established under section 1306.

(b) SUCCESSION AND AMENDMENT OF CHARTER.—The corporation established under subsection (a) shall have succession until dissolved by Act of Congress. Only the Congress shall have the authority to revise or amend the charter of such corporation.

SEC. 1306. BOARD OF TRUSTEES.

(a) COMPOSITION.—

(1) The Board of Trustees of the Institute shall be composed of 13 voting members and 6 nonvoting members as follows:

(A) The voting members shall be appointed by the President of the United States by and with the advice and consent of the Senate, not later than 180 days after the date of enactment of this Act, from among individuals from private life who are Indians, or other individuals, widely recognized in the field of Indian art and culture and who represent diverse political views.

(B) The nonvoting members shall consist of—

(i) 2 Members of the House of Representatives appointed by the Speaker of the House of Representatives in consultation with the Minority Leader of the House of Representatives;

(ii) 2 Members of the Senate appointed by the President pro tempore of the Senate, upon the recommendation of the Majority Leader and the Minority Leader of the Senate;

(iii) the President of the Institute, ex officio; and

(iv) the president of the student body of the Institute, ex officio.

(2) In making appointments pursuant to paragraph (1)(A), the President of the United States shall—

(A) consult with the Indian tribes and the various organizations of Indians;

(B) publish in the Federal Register an announcement of the expiration of terms no less than 3 months before such expiration;

(C) solicit nominations from Indian tribes and various Indian organizations to fill the vacancies;

(D) give due consideration to the appointment of individuals who will provide appropriate regional and tribal representation on the Board; and

(E) ensure that a majority of the Board appointed under paragraph (1)(A) are Indians.

(3) Members of Congress appointed under this section, or their designees, shall be entitled to attend all meetings of the Board and to provide advice to the Board on any matter relating to the Institute.

(b) TERMS OF OFFICE.—

(1) Except as otherwise provided in this section, members shall be appointed for terms of office of 6 years.

(2) The terms of office on the Board for the Members of the House of Representatives and of the Senate shall expire at the end of the congressional term of office during which such Member or Senator was appointed to the Board.

(3) Of the members of the Board first appointed under subsection (a)(1)(A)—

(A) 4 shall be appointed for terms of office of 2 years;

(B) 4 shall be appointed for terms of office of 4 years; and

(C) 5 shall be appointed for terms of office of 6 years,

as determined by the drawing of lots during the first meeting of the Board.

(4) No member of the Board appointed under subsection (a)(1)(A) shall be eligible to serve in excess of 2 consecutive terms, but may continue to serve until such member's successor is appointed.

(c) VACANCIES.—Any member of the Board appointed under subsection (a) to fill a vacancy occurring before the expiration of the term to which such member's predecessor was appointed shall be appointed for the remainder of such term. If the vacancy occurs prior to the expiration of the term of a member of the Board appointed under subsection (a)(1)(B), a replacement shall be appointed in the same manner in which the original appointment was made.

(d) REMOVAL.—No member of the Board may be removed during the term of office of such member except for just and sufficient cause.

(e) CHAIRMAN AND VICE CHAIRMAN.—The President of the United States shall designate the initial Chairman and Vice Chairman of the Board from among the members of the Board appointed pursuant to subsection (a)(1)(A). Such Chairman and Vice Chairman so designated shall serve for 12 calendar months. Thereafter, the Chairman and Vice Chairman shall be elected from among the members of the Board appointed pursuant to subsection (a)(1)(A) and shall serve for terms of 2 years. In the case of a vacancy in the office of Chairman or Vice Chairman, such vacancy shall be filled by the members of the Board appointed pursuant to subsection (a)(1)(A) and the member filling such vacancy shall serve for the remainder of the unexpired term.

(f) QUORUM.—Unless otherwise provided by the bylaws of the Institute, a majority of the members appointed under subsection (a)(1)(A) shall constitute a quorum.

(g) POWERS.—The Board is authorized—

(1) to formulate the policy of the Institute;

(2) to direct the management of the Institute; and

(3) to make such bylaws and rules as it deems necessary for the administration of its functions under this title, including the organization and procedures of the Board.

(h) COMPENSATION.—Members of the Board appointed pursuant to subsection (a)(1)(A) shall, for each day they are engaged in the performance of the duties under this title, receive compensation at the rate of $100 per day, including traveltime. All members of the Board, while so serving away from their homes or regular places of business, shall be allowed travel expenses (including per diem in lieu of subsistence), as authorized by section 5703 of title 5, United States Code, for persons in Government service employed intermittently.

(i) REVIEW BY THE SECRETARY OF THE INTERIOR.—For so long as any employee of the Institute is covered under title 5, United States Code, the Board (acting by majority vote) shall submit final decisions relating to personnel to the Secretary of the Interior. Each such decision shall become final 30 days after the date of its receipt by the Secretary unless the Secretary disapproves of such decision. The Secretary may only disapprove a decision of the Board for just cause.

SEC. 1508. EXECUTIVE BOARD.

(a) COMPOSITION.—The Board shall have an Executive Board composed of—

(1) the chairman of the Board;

(2) the vice chairman of the Board;

(3) the secretary of the Board;

(4) the treasurer of the Board; and

(5) an at-large member of the Board elected by the Board at its initial meeting.

(b) VACANCIES.—In the case of any vacancy which occurs in the position of at-large member before the expiration of such member's term, the Board shall elect a replacement to complete that term.

(c) MEETINGS.—The Executive Board shall hold not more than 4 regular meetings per calendar year. Special meetings may be held upon the call of the chairman or 3 members of the Executive Board.

(d) QUORUM.—A majority of the Executive Board shall constitute a quorum.

(e) POWERS.—The Executive Board may hold and use all the powers of the Board, subject to the approval of the Board.

SEC. 1509. GENERAL POWERS OF THE BOARD.

In carrying out the provisions of this title, the Board shall have the power, consistent with the provisions of this title—

(1) to adopt, use, and alter a corporate seal;

(2) to make agreements and contracts with persons, Indian tribes, and private or governmental entities and to make payments or advance payments under such agreements or contracts without regard to section 3324 of title 31, United States Code;

(3) to sue and be sued in its corporate name and to complain and defend in any court of competent jurisdiction;

(4) to represent itself, or to contract for representation, in all judicial, legal, and other proceedings;

(5) with the approval of the agency concerned, to make use of services, facilities, and property of any board, commission, independent establishment, or executive agency or department of the executive branch in carrying out the provisions of this title and to pay for such use (such payments to be credited to the applicable appropriation that incurred the expense);

(6) to use the United States mails on the same terms and conditions as the executive departments of the United States Government;

(7) to obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code, and to accept and utilize the services of voluntary and noncompensated personnel and reimburse them for travel expenses, including per diem, as authorized by section 5703 of title 5, United States Code;

(8) to solicit, accept, and dispose of gifts, bequests, devises of money, securities, and other properties of whatever character, for the benefit of the Institute;

(9) to receive grants from, and enter into contracts and other arrangements with, Federal, State or local governments, public and private agencies, organizations, institutions, and individuals;

(10) to acquire, hold, maintain, use, operate, and dispose of such real property, including improvements thereon, personal property, equipment, and other items, as may be necessary to enable the Board to carry out the purpose of this title;

(11) to obtain insurance or make other provisions against losses;

(12) to use any funds or property received by the Institute to carry out the purpose of this title; and

(13) to exercise all other lawful powers necessarily or reasonably related to the establishment of the Institute in order to carry out the provisions of this title and the exercise of the powers, purposes, functions, duties, and authorized activities of the Institute.

SEC. [illegible] PRESIDENT OF THE INSTITUTE.

(a) APPOINTMENT.—The Institute shall have a President who shall be appointed by the Board. The President of the Institute shall serve as the chief executive officer of the Institute. Subject to the direction of the Board and the general supervision of the Chairman of the Board, the President of the Institute shall have the responsibility for carrying out the policies and functions of the Institute and shall have authority over all personnel and activities of the Institute.

(c) COMPENSATION.—The President of the Institute shall be paid at a rate not to exceed the maximum rate of basic pay payable for grade GS-18 of the General Schedule.

SEC. [illegible]. STAFF OF INSTITUTE.

(a) EXEMPTION FROM CIVIL SERVICE.—Except as otherwise provided in this section, title 5, United States Code, shall not apply to the Institute.

(b) APPOINTMENT AND COMPENSATION.—

(1) The President of the Institute, with the approval of the Board, shall have the authority to appoint, fix the compensation of (including health and retirement benefits), and prescribe the duties of, such officers and employees as the President of the Institute deems necessary for the efficient administration of the Institute.

(2) The President of the Institute shall fix the basic compensation for officers and employees of the Institute at rates comparable to the rates in effect under the General Schedule for individuals with comparable qualifications, and holding comparable positions, to whom chapter 51 of title 5, United States Code, applies.

(3)(A) Not later than 180 days after the President of the Institute is appointed, the President of the Institute shall make policies and procedures governing—

(i) the establishment of positions at the Institute;

(ii) basic compensation for such positions (including health and retirement benefits);

(iii) entitlement to compensation;

(iv) conditions of employment;

(v) discharge from employment;

(vi) the merit system; and

(vii) such other matters as may be appropriate.

(B) Rules and regulations promulgated with respect to the discharge and conditions of employment shall require—

(i) that procedures be established for the rapid and equitable resolution of grievances of such individuals; and

(ii) that no individual may be discharged without notice of the reasons therefor and an opportunity for a hearing under procedures that comport with the requirements of due process.

(c) APPEAL TO BOARD.—Any officer or employee of the Institute may appeal to the Board any determination by the President of the Institute to not reemploy or to discharge such officer or employee. Upon appeal, the Board may, in writing, overturn the determination of the President of the Institute with respect to the employment of such officer or employee.

(d) NO REDUCTION IN CLASSIFICATION OR COMPENSATION.—Individuals who elect to remain civil service employees shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions and personnel, except that any such transfer shall not result in a reduction in classification or compensation with respect to any such individual for at least one year after the date on which such transfer occurs.

(e) LIMITS.—

(2) Any individual who—

(A) elects under subsection (g) to be covered under the provisions of this section, or

(B) is an employee of the Federal Government and is transferred or reappointed, without a break in service, from a position under a different leave system to the Institute,

shall be credited for purposes of the leave system provided under rules and regulations promulgated pursuant to subsection (b) with the annual and sick leave to the credit of such individual immediately before the effective date of such election, transfer, or reappointment.

(3) Upon termination of employment with the Institute, any annual leave remaining to the credit of an individual within the purview of this section shall be liquidated in accordance with sections 5551(a) and 6306 of title 5, United States Code, except that leave earned or accrued under rules and regulations promulgated pursuant to subsection (b) shall not be so liquidated.

(4) In the case of any individual who is transferred, promoted, or reappointed, without break in service, to a position in the Federal Government under a different leave system, any remaining leave to the credit of such person earned or credited under the rules and regulations promulgated pursuant to subsection (b) shall be transferred to the credit of such individual in the employing agency on an adjusted basis in accordance with the rules and regulations which shall be promulgated by the Office of Personnel Management.

(f) Nonapplicability.—This section shall apply to any individual appointed after the date of enactment of this title for employment in the Institute. Except as provided in subsections (d) and (g), the provisions of this title shall not affect—

(1) the continued employment of any individual employed immediately before the date of enactment of this title; or

(2) such individual's right to receive the compensation attached to such position.

(g) Preservation of Civil Service Protection.—

(1) At the end of the 1-year period beginning on the date referred to in section [illegible], any position at the Institute which is occupied by an individual in the civil service shall terminate. During such period, such individual may make an irrevocable election to be covered under the provisions of this section, except that any such individual who is subject to subchapter III of chapter 83 of title 5, United States Code, may elect to continue to be subject to such subchapter, and any such individual who is subject to chapter 84 of such title may elect to continue to be subject to such chapter.

(2) Any individual who makes an election under paragraph (1) to continue to be subject to subchapter III of chapter 83 of title 5, United States Code, or chapter 84 of such title shall so long as continually employed by the Institute without a break in service subject to such subchapter or such chapter 84, as the case may be, continue to be treated as an employee subject to such subchapter or such chapter 84, as the case may be. Employ-

ment by the Institute without a break of continuity in service shall be considered to be employment by the United States Government for the purpose of such subchapter or such chapter 84, as the case may be. The Institute shall be responsible for making the contributions required to be made by an employing agency under such subchapter or such chapter 84, as the case may be.

(b) COLLECTIVE BARGAINING.—The Institute shall be considered an agency for the purpose of chapter 71 of title 5, United States Code.

(c) WORKERS' COMPENSATION.—Employees of the Institute shall receive compensation for work injuries and illnesses in accordance with chapter 81 of title 5, United States Code.

SEC. [illegible] THE FUNCTIONS OF THE INSTITUTE.

(a) PRIMARY FUNCTIONS.—The primary functions of the Institute shall be—

(1) to provide scholarly study of and instruction in Indian art and culture; and

(2) to establish programs which culminate in the awarding of degrees in the various fields of Indian art and culture.

(b) ORGANIZATIONAL ENTITIES.—There shall be established within the Institute—

(1) a Center for Culture and Art Studies to be administered by a director appointed by the President of the Institute, with the approval of the Board, which shall include, but not be limited to, Departments of Arts and Sciences, Visual Arts, Performing Arts, Language, Literature, and Museology; and

(2) a Center for Research and Cultural Exchange administered by a director appointed by the President of the Institute with the approval of the Board, which shall include—

(A) a museum of Indian arts;

(B) a heritage resource center;

(C) programs of institutional support and development;

(D) outreach programs;

(E) extension programs;

(F) archives;

(G) publications;

(H) scholar in residence and artist in residence programs; and

(I) inter-institutional programs of cooperation at national and international levels.

(c) OTHER PROGRAMS.—In addition to the centers and programs described in subsection (b), the Institute shall develop such programs and centers as the Board determines are necessary to—

(1) foster research and scholarship in Indian art and culture through—

(A) resident programs;

(B) cooperative programs; and

(C) grant programs;

(2) complement existing tribal programs for the advancement of Indian art and culture; and

(3) coordinate efforts to preserve, support, revitalize, and develop existing forms of Indian art and culture.

SEC. 1511. INDIAN PREFERENCE.

(a) IN GENERAL.—Notwithstanding any other provision of Federal or State law, the Institute is authorized to extend preference to Indians in—

(1) admissions to, and enrollment in, programs conducted by the Institute,

(2) employment by the Institute, and

(3) contracts, fellowships, and grants awarded by the Institute.

(b) HIRING PREFERENCE.—In carrying out section 1509(b)(1), the President of the Institute shall, to the maximum extent practicable, give preference in hiring to Indians.

SEC. 1512. NONPROFIT AND NONPOLITICAL NATURE OF THE INSTITUTE.

(a) STOCK.—The Institute shall have no power to issue any shares of stock or to declare or pay any dividends.

(b) NONPROFIT NATURE.—No part of the income or assets of the Institute shall inure to the benefit of any director, officer, employee, or any other individual except as salary or reasonable compensation for services.

(c) NONPOLITICAL NATURE.—The Institute may not contribute to, or otherwise support, any political party or candidate for elective public office.

SEC. 1513. TAX STATUS.

The Institute and the franchise, capital, reserves, income, and property of the Institute shall be exempt from all taxation now or hereafter imposed by the United States, by any Indian tribe, or by any State or political subdivision thereof.

SEC. 1514. TRANSFER OF FUNCTIONS.

(a) INSTITUTE OF AMERICAN INDIAN ARTS.—There are hereby transferred to the Institute of American Indian and Alaska Native Culture and Art Development, and such Institute shall perform, the functions of the Institute of American Indian Arts established by the Secretary in 1962.

(b) CERTAIN MATTERS RELATING TO TRANSFERRED FUNCTIONS.—

(1) All personnel, liabilities, contracts, real property (including the collections of the museum located on the site known as the "Santa Fe Indian School" but not the museum building), personal property, assets, and records as are determined by the Director of the Office of Management and Budget to be employed, held, or used primarily in connection with any function transferred under the provisions of this title (regardless of the administrative entity providing the services on the date before the transfer) shall be transferred to the Institute.

(2) Personnel engaged in functions transferred by this title shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions, except that such transfer shall be without reduction in classification or compensation for one year after such transfer.

(c) REFERENCES IN OTHER LAWS.—All laws and regulations relating to the Institute of American Indian Arts established by the Secretary in 1962 shall, insofar as such laws and regulations are appropriate, and not inconsistent with the provisions of this title, remain

in full force and effect and apply with respect to the Institute. All references in any other Federal law to the Institute of American Indian Arts, or any officer transferred to the Institute of American Indian and Alaska Native Culture and Arts Development under subsection (b), shall be deemed to refer to the Institute of American Indian and Alaska Native Culture and Arts Development or an officer of the Institute of American Indian and Alaska Native Culture and Arts Development.

(d) TECHNICAL AND SUPPORT ASSISTANCE.—During the 3-year period beginning on the date referred to in subsection (f), the Secretary of the Interior shall provide such technical and support assistance to the Institute as the Secretary determines reasonable or necessary to assist the Institute. Such assistance shall include audit, accounting, computer services, and building and maintenance services.

(e) ADVISORY BOARD.—During the period beginning on the date of enactment of this title and ending on the date referred to in subsection (f), the Advisory Board for Institute of American Indian Arts shall continue to act in an advisory role for the Board and the Institute of American Indian and Alaska Native Culture and Arts Development.

(f) EFFECTIVE DATE.—The provisions of this section (other than subsection (e)) shall take effect on October 1, 1986.

SEC. 1515. REPORTS.

(a) ANNUAL REPORT.—The President of the Institute shall submit an annual report to the Congress and to the Board concerning the status of the Institute during the 12 calendar months preceding the date of the report. Such report shall include, among other matters, a detailed statement of all private and public funds, gifts, and other items of a monetary value received by the Institute during such 12-month period and the disposition thereof as well as any recommendations for improving the Institute.

(b) BUDGET PROPOSAL.—

(1) During the 3-year period beginning on the date referred to in section 1514(f), the Board shall submit a budget proposal to the Secretary of the Interior. The Secretary shall submit that proposal to the Congress.

(2) After the period described in paragraph (1) and for each fiscal year thereafter, the Board shall submit a budget proposal to the Congress.

(3) A budget proposal under this subsection shall be submitted not later than April 1 of each calendar year and shall propose a budget for the Institute for the 2 fiscal years succeeding the fiscal year during which such proposal is submitted.

(4) In determining the amount of funds to be appropriated to the Institute on the basis of such proposals, the Congress shall not consider the amount of private fundraising or bequests made on behalf of the Institute during any preceding fiscal year.

SEC. 1516. HEADQUARTERS.

The site of the Institute of American Indian Arts, at Santa Fe, New Mexico, shall be maintained as the location for the Institute of Indian and Alaska Native Culture and Arts Development. To facilitate this action and the continuity of programs being provided at *the Institute of American Indian Arts, the Secretary may enter into negotiations with State and local governments for such exchanges or transfers of lands and such other assistance as may be required.*

SEC. 1517. COMPLIANCE WITH OTHER ACTS.

(a) In General.—The Institute shall comply with the provisions of—

(1) Public Law 95-341 (42 U.S.C. 1996), popularly known as the American Indian Religious Freedom Act,

(2) the Archeological Resources Protection Act of 1979 (16 U.S.C. 470aa et seq.), and

(3) the National Historic Preservation Act (16 U.S.C. 470 et seq.).

(b) Criminal Laws.—All Federal criminal laws relating to larceny, embezzlement, or conversion of the funds or the property of the United States shall apply to the funds and property of the Institute.

SEC. 1518. ENDOWMENT PROGRAM.

(a) Establishment.—

(1) From the amount appropriated pursuant to section 1521(a), the Secretary shall make available to the Institute not more than $500,000 which shall be deposited into a trust fund maintained by the Institute at a federally insured banking or savings institution.

(2) The President of the Institute shall provide for the deposit into the trust fund described in paragraph (1)—

(A) of a capital contribution by the Institute in an amount equal to the amount of each Federal contribution; and

(B) any earnings on the funds deposited under paragraph (1) or subparagraph (A).

(3) Funds in the trust fund described in paragraph (1) shall be invested in a manner as to insure the accumulation of interest thereon at a rate not less than that generally available for similar funds deposited at the same banking or savings institution for the same period or periods of time.

(4) If at any time the Institute withdraws any capital contribution made by the Institute to the trust fund described in paragraph (1), an equal amount of Federal capital contribution shall be withdrawn from such trust fund and returned to the Treasury as miscellaneous receipts.

(5) No part of the net earnings of the trust fund described in paragraph (1) shall inure to the benefit of any private person.

(6) The President of the Institute shall provide for such other provisions governing the trust fund described in paragraph (1) as may be necessary to protect the financial interest of the United States and to promote the purpose of this title as are agreed to by the Secretary and the Institute, including recordkeeping procedures for the expenditure of accumulated interest which allow the Secretary to audit and monitor programs and activities conducted with such interest.

(b) Use of Funds.—Interest deposited pursuant to subsection (a)(2)(B) in the trust fund described in subsection (a)(1) may be periodically withdrawn and used, at the discretion of the Institute, to

defray any expenses associated with the operation of the Institute community and student services programs, and technical assistance.

(c) Compliance With Matching Requirement.—For the purpose of complying with the contribution requirement of subsection (a)(2)(A), the Institute may use funds which are available from any private or tribal source.

(d) Allocation of Funds.—From the amount appropriated pursuant to section 1531(a), the Secretary shall allocate to the Institute an amount for a Federal capital contribution equal to the amount which the Institute demonstrates has been placed within the control of, or irrevocably committed to the use of, the Institute and is available for deposit as a capital contribution of that Institute in accordance with subsection (a).

Part B—Native Hawaiians

SEC. 1521. PROGRAM FOR NATIVE HAWAIIAN CULTURE AND ARTS DEVELOPMENT.

(a) In General.—The Secretary of the Interior is authorized to make grants for the purpose of supporting a program for Native Hawaiian culture and arts development to any private, nonprofit organization or institution which—

(1) primarily serves and represents Native Hawaiians, and

(2) has been recognized by the Governor of the State of Hawaii for the purpose of making such organization or institution eligible to receive such grants.

(b) Purpose of Grants.—Grants made under subsection (a) shall, to the extent deemed possible by the Secretary and the recipient of the grant, be used—

(1) to provide scholarly study of, and instruction in, Native Hawaiian art and culture,

(2) to establish programs which culminate in the awarding of degrees in the various fields of Native Hawaiian art and culture, or

(3) to establish centers and programs with respect to Native Hawaiian art and culture that are similar in purpose to the centers and programs described in subsections (b) and (c) of section 1510.

(c) Management of Grants.—

(1) Any organization or institution which is the recipient of a grant made under subsection (a) shall establish a governing board to manage and control the program with respect to which such grant is made.

(2) The members of the governing board which is required to be established under paragraph (1) shall—

(A) be Native Hawaiians or individuals widely recognized in the field of Native Hawaiian art and culture,

(B) include a representative of the Office of Hawaiian Affairs of the State of Hawaii, and

(C) shall serve for a fixed term of office.

SEC. 1522. ADMINISTRATIVE PROVISIONS.

(a) Payments.—The Secretary may award grants under this part in installments, in advance, or by way of reimbursement and may

make necessary adjustments in payments of grants on account of overpayments or underpayments.

(b) RECOVERY OF OVERPAYMENTS.—

(1) If the Secretary or a court of competent jurisdiction finds that—

(A) any person—

(i) has—

(I) made, or has caused to be made by another, a false statement or representation of a material fact knowing it to be false, or

(II) knowingly failed, or caused another to fail, to disclose a material fact, and

(ii) as a result of such action, has received any funds under this part which such person would not have otherwise received, or

(B) any person misappropriates any funds paid by the Secretary under this part,

such person shall be liable to repay the amount of such funds to the United States. Any such finding by the Secretary may be made only after an opportunity for a fair hearing.

(2) Any amount repaid under this subsection shall be returned to the general fund of the Treasury of the United States.

(c) PENALTIES.—Whoever—

(1) makes a false statement of a material fact knowing it to be false, or knowingly fails to disclose a material fact, for the purpose of obtaining or increasing for such person or for any other person any payment of funds provided under this part, or

(2) misappropriates any funds provided under this part,

shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

PART C—AUTHORIZATION OF APPROPRIATIONS

SEC. [illegible]. AUTHORIZATION OF APPROPRIATIONS.

(a) PART A.—There are authorized to be appropriated for the purpose of carrying out the provisions of part A of this title—

(1) for fiscal year 1987, $[illegible],000,000; and

(2) for each succeeding fiscal year, such sums as may be necessary to carry out such provisions.

(b) PART B.—There are authorized to be appropriated for the purpose of carrying out the provisions of part B of this title—

(1) for fiscal year 1987, $[illegible],000,000; and

(2) for each succeeding fiscal year, such sums as may be necessary to carry out such provisions.

TITLE XVI—UNITED STATES INSTITUTE OF PEACE

SEC. [illegible]. AUTHORIZATIONS OF APPROPRIATIONS.

(a) AUTHORIZATIONS OF APPROPRIATIONS.—(1) The first sentence of section 1710(a) of the United States Institute of Peace Act (22 U.S.C. 4609(a)) is amended—

(A) by striking out "fiscal year 1985" and inserting in lieu thereof "fiscal year 1987"; and

(B) by striking out "fiscal year 1986" and inserting in lieu thereof "fiscal year 1988".

(2) The amendments made by paragraph (1) shall take effect on October 1, 1988.

(b) Availability of Funds.—The second sentence of section [illegible] of such Act (20 U.S.C. [illegible]) is amended to read as follows: "Amounts appropriated under this section are authorized to remain available to the Institute until expended."

And the House agree to the same.

For consideration of all provisions (except section [illegible]) of the Senate bill and all provisions of the House amendment and modifications committed to conference:

Augustus F. Hawkins,
William D. Ford,
Joseph M. Gaydos,
Mario Biaggi,
Pat Williams,
Major R. Owens,
Charles A. Hayes,
Carl C. Perkins,
Terry L. Bruce,
Stephen J. Solarz,
Mervyn M. Dymally,
Dennis E. Eckart,
Timothy J. Penny,
Chet Atkins,
James M. Jeffords,
Bill Goodling,
Tom Coleman,
Thomas E. Petri,
Marge Roukema,
Steve Gunderson,
Thomas J. Tauke,
John R. McKernan, Jr.,
Paul B. Henry.

As additional conferee for consideration of title V of the Senate bill and title XIII and section [illegible] of the House amendment and modifications committed to conference:

Dale E. Kildee.

As additional conferee for consideration of title III of the Senate bill and title XIV of the House amendment and modifications committed to conference:

Steve Bartlett.

As additional conferees for consideration of section [illegible] and [illegible] of the Senate bill and modifications committed to conference from the Committee on Energy and Commerce:

John D. Dingell,
James H. Scheuer,
Henry A. Waxman,
Thomas P. Luken,
Ed Madigan.

As additional conferees for consideration of title VI of the Senate bill and modifications committed to conference, from the Committee on Foreign Affairs:

Dante Fascell,
Lee H. Hamilton.

Dan Mica,
Wm. Broomfield,
Olympia Snowe,

As only House conferees for consideration of section 137 of the Senate bill and modifications committed to conference and as additional conferees for consideration of section 138 of the Senate bill and modifications committed to conference, from the Committee on the Judiciary:

Peter W. Rodino,
Don Edwards,
Dan Glickman,
Hamilton Fish, Jr.,
Hank Brown,
Managers on the Part of the House.

Orrin Hatch,
Robert T. Stafford,
Dan Quayle,
L.P. Weicker, Jr.,
Malcolm Wallop,
Strom Thurmond,
Edward M. Kennedy,
Claiborne Pell,
Christopher Dodd,
Howard Metzenbaum,
Paul Simon,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1965) to reauthorize and revise the Higher Education Act of 1965, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

1. SHORT TITLE

The title of the House amendment is "Higher Education Amendments of 1985." The title of the Senate bill is "Higher Education Amendments of 1986."

The House recedes.

2. TABLE OF CONTENTS

The Senate bill, but not the House amendment, provides for a Table of Contents.

The House recedes.

3. CONTRACTING AUTHORITY

The Senate bill, but not the House amendment, exempts contracts under the GSL program from funding limitations in annual appropriations Acts.

The House recedes.

TITLE I

4. TITLE I

The Senate bill repeals Title I, while the House amendment provides for a substitute Title I which focuses on nontraditional students.

The Senate recedes.

5. ADMINISTRATION

The House amendment, but not the Senate bill, establishes guidelines for the administration of Title I Part A programs by the Secretary.

The Senate recedes.

6. AUTHORIZATIONS

The House amendment, but not the Senate bill, authorizes $10 million for Part A for FY 1987 and such sums for subsequent years.

The Senate recedes with an amendment authorizing $[illegible] million for FY 1987 and such sums thereafter.

7. PART B

The House amendment, but not the Senate bill, establishes a Part B, National Programs.
The Senate recedes.

8. PART B AUTHORIZATIONS

The House amendment, but not the Senate bill, authorizes $[illegible] million for FY 1987 and such sums for subsequent years.
The Senate recedes with an amendment authorizing no funds for FY 1987 or for succeeding fiscal years.
In agreeing to a $[illegible] million authorization level for Title I in FY 1987, the Conferees considered that the entire $[illegible] million should be targeted to Part A. Within Part A, Conferees intend that sections 111 and 112, which provide for development of on and off-campus programs respectively, receive the total authorization due to the limited level of funding.
The Conferees authorized no funding for FY 1987 for Part B of Title I. However, this action should not be interpreted as a lack of commitment to necessary research, evaluation, and dissemination activities in future years, but is due to an ordering of priorities within Title I based on the limited amount of authorization.
The Conferees intend that no funding from the Title I authorization in the Act will be used or designated for funding of the National Advisory Council for Continuing Education.

9. NATIONAL ADVISORY COUNCIL ON CONTINUING EDUCATION

The House amendment repeals the Advisory Council on Continuing Education, while the Senate bill reassigns it as an amendment to Title II of the Department of Education Organization Act.
The House recedes.

TITLE II—ACADEMIC LIBRARY AND INFORMATION TECHNOLOGY ENHANCEMENT

10. HEADING AND PURPOSE

The House amendment, but not the Senate bill, conforms the Heading and Purpose of Title II to reflect the addition, by the House amendment, of a new Part D to Title II.
The Senate recedes.

11. AUTHORIZATION OF APPROPRIATIONS

The House amendment authorizes appropriations of $[illegible] million for Part A, $[illegible] million for Part B, $[illegible] million for Part C, and $[illegible] million for a new Part D in title II for Fiscal Year 1987, and such sums in each of the fiscal years 1988–1991 thereafter. The Senate bill authorizes appropriations of $[illegible] million in FY [illegible], $[illegible] million in FY [illegible], $[illegible] million in FY [illegible], $[illegible] million in FY [illegible], and $[illegible] million in FY [illegible], for Part A. For Part B, the Senate bill authorizes $[illegible] million in FY [illegible], $[illegible] million in FY [illegible], $[illegible]

[illegible] million in FY [illegible] million in FY [illegible] and [illegible] million in FY [illegible]. For Part [illegible], the Senate authorizes [illegible] million in FY [illegible] million in FY [illegible] million in FY [illegible] million in FY [illegible], and [illegible] million in FY [illegible]. The House amendment, but not the Senate bill, authorizes an appropriation of [illegible] million for [illegible]

The House amendment, but not the Senate bill, authorizes an appropriation in FY [illegible] of [illegible] for the National Commission on [illegible] and [illegible] to conduct a study of the [illegible] under Part [illegible].

The House recedes.

The Conference substitute authorizes the following amounts for Title [illegible]:

Fiscal year:	[illegible]
Part A:	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Part B:	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Part C:	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Part D:	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	

[illegible]

The House amendment, but not the Senate bill, refers to the "National Center for [illegible]." The Senate bill, in [illegible], renames the Center the "Center for [illegible]."

The House recedes.

[illegible]

The House amendment, but not the Senate bill, [illegible] for [illegible].

The Senate recedes.

[illegible]

Both the House amendment and the Senate bill authorize a study of the effectiveness of the [illegible] under Part [illegible]. The Senate bill refers to a "Study of the Effectiveness of the [illegible] for the [illegible] Program." The House amendment refers to a "Study of the [illegible] of [illegible]."

The House recedes.

[illegible]

The Senate bill, but not the House amendment, [illegible] to [illegible] "[illegible] recommendations to the [illegible] appropriate."

The House recedes.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

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[illegible]

[illegible]

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TITLE IV

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27. MEDICAL EDUCATION

The Senate bill, but not the House amendment, deletes schools which provide postgraduate medical education programs from eligibility.

The Senate recedes.

28. DURATION OF GRANT

The House amendment, but not the Senate bill, authorizes grants of 5-year duration in Part C of the Title.

The Senate recedes.

29. MATCHING AND FINANCIAL INDEPENDENCE

(a) The House amendment requires that applicant institutions under part C provide "evidence" that matching funds are "currently available" while the Senate bill requires "assurances" that matching funds "will be available to the applicant within one year."

The House recedes.

(b) The Senate bill, but not the House amendment, extends the requirement that applicants show how grant funds will promote financial independence to all applicants, not just those described in section 311(a)(1)(B).

The House recedes.

30. DATES

The House amendment provides for a *July 1st* notice of grant award, while the Senate bill establishes an *April 1st* grant notification date.

The House recedes.

31. INSTITUTIONAL MATCH

The Senate bill, but not the House amendment, provides that for Part C awards of $1 million or more, the Federal-institutional match shall be $2 Federal to $1 institutional and the applicant will provide assurances that it will not make application for another grant for at least 10 years.

The House recedes with an amendment prohibiting eligibility for an additional grant for 10 years after the approval of an application for a grant.

32. RESERVATION OF FUNDS

The House amendment provides:

$41.7 million of the Part A appropriations will be reserved for eligible Part A institutions which serve the highest percentages of minority students.

not less than 30% of the Part A funds will go to community colleges.

The Senate bill provides:

not less than $51.4 million of the funds appropriated for Parts A and C will go to community colleges if the appropriation for Part A is greater than the appropriation for FY 1986, *if Part A appropriations are greater than the FY 1986 appropriation, the Secretary will give priority to applications from institutions with significant groups of students who are minority or who are underrepresented in higher education or who are educationally disadvantaged.*

The Senate recedes with an amendment providing $11.4 million for community and junior colleges and, if appropriations exceed the FY 1986 appropriation level, 25 percent of the excess funds will go to eligible institutions under Part A (excluding institutions receiving assistance under Part B of this title) which serve the highest percentages of Black American, Mexican American, Puerto Rican, Cuban, other Hispanic, American Indian, Alaskan Native, Aleut, Asian American, Native Hawaiian, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian students or any combination thereof.

63. SPECIAL PAYMENT RULES

(a) The Senate bill, but not the House amendment, requires historically black institutions receiving aid under part A prior to September 30, 1986 which continue to receive a grant shall be paid under part B.

The House recedes.

(b) The Senate bill, but not the House amendment, requires any institution, other than a historically black institution, which received a grant under part B prior to September 30, 1986 and continues to receive such grant shall be paid from funds under part A.

The House recedes.

(c) The Senate bill, but not the House amendment, requires that any funds under part A or part B available for obligation in the year succeeding the year in which they were appropriated shall be made available for obligation under part C.

The House recedes.

64. DEVELOPMENT PLAN

The Senate bill, but not the House amendment, exempts institutions applying under part C from setting forth a comprehensive development plan.

The House recedes.

65. STATEMENT OF NECESSITY

The Senate bill, but not the House amendment, requires a statement of necessity in the application for multi-year grant periods.

The Senate recedes.

66. DATA

The Senate bill, but not the House amendment, directs the Secretary to use the most recent and relevant data in making eligibility determinations.

The House recedes.

47. WAIVER AUTHORITY

The House amendment, but not the Senate bill, eliminates the waiver authority of the Secretary.

The Senate bill, but not the House amendment, lists the waiver criteria as (1) an institution extensively subsidized by the State which is a low tuition school, (2) an institution serving a substantial number of low and middle income students as a percent of its total student population, (3) an institution contributing to the increase in opportunity for the educationally disadvantaged, underrepresented, and minorities who are low-income students.

The House recedes with an amendment striking middle income students and adding a waiver for institutions serving "individuals located on or near an Indian reservation."

48. READERS

The House amendment, but not the Senate bill, includes predominantly black college representatives as readers. The Senate bill, but not the House amendment, requires that Asian Americans, Native Americans, Pacific Islanders, including Native Hawaiians, be included as readers. The House amendment requires that representatives of postsecondary institutions with these minority student populations in attendance be used as readers.

The House recedes with an amendment including all the types of readers listed in both the House and Senate versions.

49. CHALLENGE GRANT APPLICATION

The Senate bill, but not the House amendment has specific requirements on making Challenge Grant awards to institutions.

The House recedes with an amendment requiring that fourth and fifth year grantees apply for a Challenge Grant in the final year of the grant.

AUTHORIZATION OF APPROPRIATIONS

[In millions of dollars]

Fiscal year	Senate bill	House amendment	Conference agreement
Part A:			
1987	[illegible]	[illegible]	[illegible]
1988	[illegible]	[illegible]	[illegible]
1989	[illegible]	[illegible]	[illegible]
1990	[illegible]	[illegible]	[illegible]
1991	[illegible]	[illegible]	[illegible]
[illegible]			
1987	[illegible]	[illegible]	[illegible]
1988	[illegible]	[illegible]	[illegible]
1989	[illegible]	[illegible]	[illegible]
1990	[illegible]	[illegible]	[illegible]
1991	[illegible]	[illegible]	[illegible]
[illegible]			
1987	[illegible]	[illegible]	[illegible]
1988	[illegible]	[illegible]	[illegible]
1989	[illegible]	[illegible]	[illegible]
1990	[illegible]	[illegible]	[illegible]
1991	[illegible]	[illegible]	[illegible]

AUTHORIZATION OF APPROPRIATIONS—Continued

[In millions of dollars]

Fiscal year	Senate bill	House amendment	Conference agreement
Part C:			
1987	[illegible]	[illegible]	[illegible]
1988	[illegible]	[illegible]	[illegible]
1989	[illegible]	[illegible]	[illegible]
1990	[illegible]	[illegible]	[illegible]
1991	[illegible]	[illegible]	[illegible]

[1] Such sums.

10. MULTI-YEAR AWARDS

The House amendment, but not the Senate bill, provides for the appropriation of funds from specific years for multiple year awards.

The Senate recedes.

11. RATABLE REDUCTIONS

The Senate bill, but not the House amendment, allows for ratable reduction for Part A reservations if there are insufficient appropriations.

The House recedes.

TITLE IV

TECHNICAL AMENDMENT

The House amendment, but not the Senate bill, makes conforming technical amendments with respect to the numbering of the subparts of Part A of Title IV.

The Senate recedes.

PELL GRANTS

Extension

The Senate bill extends the Pell Grant program through FY 1991, while the House amendment extends it through FY 1992.

The Senate recedes.

Advance Payment

The House amendment, but not the Senate bill, requires the Secretary of Education to pay institutions in advance of the academic year such sums as may be necessary to provide Pell Grants to eligible students. The Senate recedes with an amendment providing that the Secretary must pay to institutions not less than [illegible] of their estimated need for Pell Grant funds for the enrollment period during which such funds will be used. The conferees wish to clarify that they do not intend for institutions to have to incur financial liability to ensure that Pell Grant eligible students receive their payments on a timely basis. The Conferees encourage the Secretary to review and utilize appropriate historical data and this institutional request to ensure that sufficient funds are advanced to institutions for this purpose in a timely manner. The Conferees further ask that the Secretary report to the House Subcommittee on Postsecondary Education and the Senate Subcommittee on Education, Arts and Humanities within 30 days of the conclusion of Pell Grant disbursements (allocations) the exact amounts advanced to each institution per payment period and the amount expended (disbursed) by each institution per payment period for each fiscal year.

Eligibility

The Senate bill, but not the House amendment, limits eligibility for Pell Grants to students from families with incomes of less than $50,000, after subtracting Federal and State income taxes.

The Senate recedes.

Five year limitation

The Senate bill, but not the House amendment, limits eligibility to receive Pell Grant to five years. The House recedes with an amendment providing that Pell Grant eligibility is limited to five years of full time attendance or its equivalent, six years of full time attendance or its equivalent in the case of a program that normally requires five years for completion of the first baccalaureate degree, and does not include in either the five or six year period any period during which the student is enrolled in a noncredit or remedial course of study, and that this limitation on eligibility may be waived by the institution of higher education for undue hardship based on death of a relative of the student, the personal injury or illness of the student or special circumstances.

Minimum award for less-than-half-time students

The House amendment, but not the Senate bill, provides for a minimum Pell Grant award of $50 in the case of less-than-half-time students.

The House recedes.

Remedial courses

The House amendment, but not the Senate bill, requires Pell Grant eligibility for noncredit and remedial courses, including courses in English language instruction, which are determined by the institution to be necessary to help the student be prepared for pursuit of a baccalaureate degree, or in the case of the course in English language instruction, necessary to enable the student to utilize already existing knowledge, training or skills.

The Senate recedes.

One grant per year

The House amendment, but not the Senate bill, prohibits students from receiving Pell Grant payments concurrently from more than one institution or from the Secretary and an institution.

The Senate recedes.

Limitation on disbursement of grant

The Senate bill, but not the House amendment, limits the amount of the student's grant that can be disbursed by crediting it to his or her account at the institution to the amount required for tuition and fees, and, in the case of university-owned housing, to room and board.

The House recedes.

Linear reduction

The House amendment, but not the Senate bill, reduces the minimum grant available under linear reduction from $100 to $50.

The House recedes.

Cost of attendance and family contribution schedule

The Senate bill, but not the House amendment, delineates the cost of attendance and family contribution schedule for the Pell Grant program in Section 411. The House recedes with an amendment eliminating the assumption in income of the married couple deduction when both work, deleting duplicate references to Social Security educational benefits, more specifically defining untaxed income, taking into account veterans educational benefits based on the amount expected to be received in the award year, in the case of a dependent student whose parent with whom they are living is divorced or widowed and who remarries, taking into account the income of the stepparent in determining expected family contribution, deducting state and local income taxes paid or payable in determining expected family contribution, limiting the offset for unreimbursed elementary and secondary school tuition and fees for each child to an amount not to exceed the national per pupil instructional cost as published by the National Center for Education Statistics, not considering home equity as an asset in the case of either a dislocated worker or a displaced homemaker, increasing the asset protection for home equity from $25,000 to $50,000, providing that the expected family contribution will be equally divided among the dependent children in postsecondary education, treating the independent student with dependents other than a spouse and the independent student with a spouse and no other dependents as in current law with respect to the assessment rate on discretionary income; and placing outside the cap on costs other than tuition and fees, the costs for child care (up to $1,000 per year) and the costs of special services or equipment for the handicapped. The conferees state that for those students who receive a Federal rental subsidy or other housing assistance payment, a special consideration should be used to ensure fair treatment of these students. Rather than using the regular family size offset, which includes an allowance for housing, a special family size offset, computed by subtracting the housing allowance, should be used. In addition, the student's housing subsidy should be excluded from income.

Recalculation

The House amendment and the Senate bill allow the institution to recalculate the eligibility index and award for a student if it determines that there has been a change in circumstances or an error that affects the amount of the award. The Senate bill, but not the House amendment, also requires that any corrected data be reported to the contractor who processes the applications for a verification of the amount of the eligibility index for the student.

The House recedes with an amendment providing that the corrected data will also be provided to the central processor if one has been designated by the Secretary and clarifying that the corrected data is reported after an adjusted award has been made to the student.

Overawards

The Senate bill, but not the House amendment, requires institutions to pay the Secretary an amount equal to any excess payment received by a student as a result of an overaward in the Pell Grant program.

The House recedes.

Contractor reports

The Senate bill, but not the House amendment, requires each contractor processing applications for awards to submit to the Secretary after each academic year a report on the correctness of the computations of accuracy of the eligibility index and on the accuracy of the questions on the application.

The House recedes with an amendment requiring these reports also to be provided by the central processor, if one has been designated by the Secretary, with respect to both corrections by other contractors and corrections by the student financial aid administrator.

Submission of schedule

The conference substitute provides that a joint resolution of approval is required for the implementation of any proposed modifications to the Pell Grant needs analysis or any updates which depart from the specific instructions in law. In the absence of a joint resolution of approval within the time frame specified, the needs analysis will automatically be updated annually according to criteria and formulas specified in the law.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

AUTHORIZATION

[In millions]

Fiscal year	Senate bill	House amendment	Conference agreement
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Maximum award

The Senate bill increases the maximum award from [illegible] to [illegible], while the House amendment increases it to [illegible].

The Senate recedes.

Minimum award

[illegible]

Grant distribution

[illegible]

The Senate recedes.

Federal share

[illegible]

[illegible]

Need criteria

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

The House recedes.

Administrative expenses

[illegible]

The House recedes.

Allocation formula

[illegible]

[illegible]

STATE STUDENT INCENTIVE GRANTS

Purpose

[illegible]

[illegible]

[illegible]

Eligible students

The House amendment, but not the Senate bill, requires that only State residents deemed eligible to participate in the program in a State can be counted in determining the State's allotment.

The Senate recedes.

Maximum grant

The House amendment, but not the Senate bill, increases the maximum grant from [illegible] to [illegible].

The Senate recedes with an amendment increasing the maximum grant to [illegible].

Work-study and community service work-learning jobs

The House amendment, but not the Senate bill, allows a State to use [illegible] [illegible] [illegible] [illegible] [illegible] work-study programs [illegible] [illegible] with the Federal college work-study program. The Senate bill, but not the House amendment, [illegible] [illegible] [illegible] [illegible] [illegible] community service work-learning jobs.

The House recedes with an amendment limiting States to using not more than [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] community service work-learning program or both. The amendment further provides that funds spent for a community service work-learning program will be [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] on the basis of Federal funds.

Federal share

The Senate bill, but not the House amendment, provides that the Federal share for community service work-learning programs will be [illegible].

The Senate recedes.

Definitions

The Senate bill, but not the House amendment, provides a definition of community service.

The House recedes.

Nonprofit institutions

The Senate bill, but not the House amendment, strikes references to nonprofit institutions.

The Senate recedes.

Conforming amendment

The House amendment, but not the Senate bill, includes a conforming amendment relating to the eligibility of less-than-half-time students.

The Senate recedes.

Non-Federal share

The House amendment provides that the non-Federal share provided under this program must be funded through a direct appro-

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

First-generation students

[illegible]

The Senate recedes.

[illegible]

[illegible]

The Senate recedes.

[illegible]

[illegible]

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dergraduate veterans with honorable discharges must be enrolled at the institution in order for it to participate in the program; allows any institution which participated in the VCIP program for a continuous three year period between 1980 and 1985 and which has at least 100 eligible veterans in attendance to continue to be eligible; allows institutions to receive $100 for each veteran undergraduate student who has received an honorable discharge and is not covered under the current law provisions; allows institutions to count less-than-full-time students in proportion to the degree to which they are attending the institution; eliminates the requirement that the institution maintain a full-time office and requires the Secretary to collect information on exemplary Veterans Education Outreach Programs and to disseminate it to other institutions having such programs on their campuses.

The Senate recedes with an amendment eliminating the requirement that an institution have at least 100 eligible veterans in attendance to qualify for the grandfather provision.

AUTHORIZATION

[In millions of dollars]

Fiscal year	Senate bill	House amendment	Conference agreement
1987	[illegible]	[illegible]	3
1988	[illegible]	(¹)	(¹)
1989	[illegible]	(¹)	(¹)
1990	[illegible]	(¹)	(¹)
1991	[illegible]	(¹)	(¹)

¹ Such sums.

CHILD CARE

The House amendment, but not the Senate bill, authorizes a program of grants from the Secretary of Education to institutions of higher education to provide child care services for disadvantaged students. The authorization is 15 million in FY 1987 and "such sums" in each of the four succeeding fiscal years.

The Senate recedes with an amendment changing the FY 1987 authorization amount to 10 million.

GSL

Title

The House amendment, but not the Senate bill, changes the Title of Part B of Title IV to the "Guaranteed Student Loan Program."

The Senate recedes.

Technical corrections

The House amendment, but not the Senate bill, makes technical corrections to section 421 by deleting outdated and contradictory provisions.

The Senate recedes.

Advances

The House amendment, but not the Senate bill, makes technical corrections to section 422 by deleting outdated and contradictory provisions.

The Senate recedes.

Return of advances

The House amendment, but not the Senate bill, requires a return of 50 million in guaranty agency advances in FY 1988.

The House recedes with an amendment requiring the return of 75 million in advances in FY 1988 as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 and 35 million in advances in FY 1989.

The Conferees intend that federal advances be returned to the Secretary following strict adherence to the criteria set forth in the Act. These criteria are extremely important in assuring that advances are returned in an orderly fashion without threatening the viability of guaranty agencies.

State requirements

The House amendment, but not the Senate bill, mandates the Comptroller General to take into account State law requirements regarding advances in effect on the date of enactment of the law.

The Senate recedes.

Technical corrections

The House amendment, but not the Senate bill, makes technical corrections to section 423 by deleting outdated and contradictory provisions. The House amendment also deletes references to postsecondary education institutions which are eligible lenders because H.R. 3700, unlike current law and the Senate bill, treats all institutions alike making separate provisions unnecessary.

The Senate recedes.

Extension of program

(a) The House amendment extends the program for loans made to students after 1992 to enable them to continue or complete their education through fiscal year 1997.

(b) The Senate bill extends this authority through FY 1996.

(c) The House amendment also deletes outdated provisions.

The Senate recedes.

Origination fee

The House amendment, but not the Senate bill, allows the student to borrow the origination fee even if the resulting loan amount is in excess of the borrowing limits.

The House recedes.

Loan limits

The Senate bill and the House amendment increase loan limits as follows:

	Senate bill	House bill	Conference agreement
1st 2 years of undergraduate work	$3,000	$2,500	$2,625
Next 2 years of undergraduate work	4,000	5,000	4,000
Graduate work	7,500	8,000	7,500
Cumulative undergraduate work	18,000	14,500	17,250
Cumulative undergraduate and graduate work	55,000	54,500	54,750

Technical corrections

The House amendment makes necessary conforming amendments to the section.

The Senate recedes.

First year limits

The House amendment, but not the Senate bill, repeals the limitations on first year student borrowing. The Senate bill increases borrowing limits for these students.

The Senate recedes.

Increase in aggregate limits

The House amendment, but not the Senate bill, provides that the Secretary shall increase aggregate loan limits for students in programs which he determines are exceptionally expensive. The Senate bill continues existing law which provides that the Secretary may waive such limits.

The House recedes.

Consolidated loan exemption

The Senate bill, but not the House amendment, exempts consolidation loans from the provisions of section 427.

The House recedes.

Academic workload

The House amendment, but not the Senate bill, moves the provision requiring that loans be insured only if the student is carrying at least one-half the normal full-time academic workload as determined by the institution.

The Senate recedes.

Grace period

The House amendment, but not the Senate bill, extends the grace period for FISL loans from six months to nine months.

The House recedes.

Graduated repayment

The Senate bill, but not the House amendment, requires lenders upon request of the borrower to provide a revised repayment schedule which is based upon graduated repayment.

The Senate recedes.

Deferral during attendance

The House amendment allows students carrying at least one-half of the normal full-time academic workload to defer repayments of loans. The Senate bill requires full-time workloads for deferral.

The Senate recedes with an amendment providing that students who are carrying at least one-half the normal full time load may receive a deferment if they have received a GSL for that enrollment period.

Additional deferments

(a) The House amendment, but not the Senate bill, provides for a three year deferment of repayment for active duty members of the National Oceanic and Atmospheric Administration Corps.

The Senate recedes.

(b) The House amendment, but not the Senate bill, provides for up to three years deferment for borrowers engaged as full-time public or private elementary or secondary teachers.

The Senate recedes with an amendment allowing deferments for teachers in geographic areas where there is a teacher shortage or in subject areas in which there are teacher shortages. The Secretary in consultation with the Chief State School Officer or appropriate private school officials will define the areas of shortages.

It is the intent of the Conferees that the Secretary, in defining shortage areas as required under Sec. 428(b)(4) of the Act, shall also consider deferments for teachers from minority groups including Blacks and Hispanics teaching at schools with high percentages of minority students, as an important means of recruiting more minorities into the teaching profession to serve as role models for those students. Deferments should also be considered in states where recent reforms require mandatory testing of current and prospective teachers, thus affecting teacher supply; and in states having mandates to reduce teacher-pupil ratios, with particular attention given to grades K-2.

The Conferees also urge the Secretary to take into consideration wherever possible the needs of state and local education agencies at the pre-school and early childhood education levels, and, further stresses their intention that all targeting reflect the needs of handicapped and special education as well as traditional pre-school, elementary, and secondary education.

(c) The Senate bill provides for up to 3 years' deferment for the care of disabled dependents, while the House amendment provides for up to 3 years' deferment for disabled spouses and children.

The House recedes.

(d) The House amendment provides for up to six months of parental leave, while the Senate bill provides for up to six months of maternal leave.

The Senate recedes.

(e) The House amendment, but not the Senate bill, deletes a requirement that lenders notify institutions of loans.

The Senate recedes.

Multiple disbursement

The House amendment, but not the Senate bill, allows the second installment of a loan to be made sooner than one-third of the period, if it is necessary to permit the installment to be disbursed at the beginning of the second term of enrollment.

The Senate receded with amendments to clarify that:

multiple disbursement does not apply to supplemental parent and student loans, consolidation loans, or loans to students attending foreign schools; and

the periods of enrollment to which multiple disbursement applies.

The Conferees understand that the present forms filled out by students applying for loans may not request adequate information to determine the times at which loans disbursements are to be made. However, it is not the intention of the Conferees that the forms should be reprinted because they do not require the starting and ending dates of enrollment periods.

Technical correction

The House amendment, but not the Senate bill, repeals outdated and contradictory provisions in Section 427.

The Senate recedes.

Conforming amendments

Both the House amendment and the Senate bill make necessary conforming and technical amendments to Section 427A.

The Senate recedes with an amendment incorporating all of the changes in both versions.

In-school interest

(a) The Senate bill, but not the House amendment, retains the in-school interest rate for new borrowers at 8 percent. The Senate bill increases the interest rate to 10 percent during repayment; the House amendment increases the rate to 10 percent in the fifth year of repayment.

The Senate recedes with an amendment stating that when any return to a holder of a loan exceeds T-bill + 3.25%, because of the interest rate paid by the borrower, the excess amount will be returned to the borrower by shortening the borrowers repayment period or by reducing the amount of the borrower's principal. The Secretary shall review the two options outlined for implementing this provision and report to the House Education and Labor Committee and the Senate Labor and Human Resources Committee within six months on the viability of implementing the provisions, and, if necessary, make additional recommendations.

(b) The House amendment sets the effective date for interest rates for new borrowers as October 1, 1987; the Senate bill sets the effective date as July 1, 1986.

The Senate recedes.

Authority to borrow origination fee

The House amendment, but not the Senate bill, provides that the amount of any loan which is eligible for interest subsidies is equal to the amount of need of the student increased by an amount necessary to cover the origination fee for the loan.

The House recedes.

Certification of loan need

The Senate bill, but not the House amendment, specifically requires that institutions not certify loans for amounts in excess of the student's demonstrated need.

The House recedes.

Family contribution offsets

The Senate bill, but not the House amendment, specifically allows supplemental and State-sponsored or private loans to be used to provide the expected family contribution.

The House recedes.

Lender discrimination

The Senate bill, but not the House amendment, prohibits institutions from refusing to provide any eligible lender with a statement permitting a student to receive a loan.

The House recedes.

Prompt payment of subsidies

The House amendment, but not the Senate bill, requires the Secretary to make prompt payment of interest subsidies to holders of loans.

The Senate recedes.

Technical amendment

The House amendment, but not the Senate bill, deletes outdated and contradictory provisions.

The Senate recedes.

Half-time study

The House amendment, but not the Senate bill, authorizes insurance for only those students attending school on at least a half-time basis.

The Senate recedes.

Origination fee

The House amendment, but not the Senate bill, allows the student to borrow the origination fee even if the resulting loan amount is in excess of the loan limits.

The House recedes.

Loan limits

The Senate bill and the House amendment increase loan limits as follows:

	Senate bill	House bill	Conference agreement
1st 2 years of undergraduate work	$3,000	$2,500	$2,625
Final 2 years of undergraduate work	4,000	5,000	4,000
Graduate work	7,500	8,000	7,500

	Senate bill	House bill	Conference agreement
Cumulative undergraduate work	18,000	14,500	17,250
Cumulative undergraduate and graduate work	55,000	54,500	54,750

Technical corrections

The House amendment makes necessary conforming amendments to the section.

The Senate recedes.

Loan limits tied to costs

The House amendment, but not the Senate bill, provides for loan limits for graduate students (based only on the sum of tuition, fees and costs of such education) an amount equal to such sum if it is between $5,000 and $8,000 and to $8,000 if tuition, fees, and costs are equal to or greater than $8,000. The Senate bill provides for annual loan limits for graduate students of $7,500.

The House recedes.

First-year limits

The House amendment, but not the Senate bill, repeals the limitations on first year student borrowing. The Senate bill increases borrowing limits for these students.

The Senate recedes.

Increase in aggregate limits

The House amendment, but not the Senate bill, provides that the Secretary shall increase aggregate loan limits for students in programs which he determines are exceptionally expensive. The Senate bill continues existing law which provides that the Secretary may waive such limits.

The House recedes.

Repayment period

The House amendment, but not the Senate bill, changes the repayment period from 15 years to 10 years.

The Senate recedes.

Grace period

The House amendment, but not the Senate bill, extends the grace period for FISL loans from six months to nine months.

The House recedes.

Technical amendment

The House amendment, but not the Senate bill, restates, in condensed form, existing requirements relating to the repayment period.

The Senate recedes.

Insurance premium

The Senate bill, but not the House amendment, charges a 3 per cent insurance premium per loan for the first year of the loan.

The House recedes with an amendment stating there is a single 3% insurance premium equal to not more than 3% of the principal amount of the loan, charged when the loan is taken out.

Graduated repayment

The Senate bill, but not the House amendment, provides that lenders will, upon request of the borrower provide a repayment schedule which is based upon graduated repayment. The monthly payments by the borrower are to be rounded to multiples of $5.

The Senate recedes on graduated repayment and the House recedes on rounding.

Deferral during half-time study

The House amendment, but not the Senate bill, allows students carrying at least one-half of the normal full-time academic workload to defer repayments of loans.

The Senate recedes with an amendment providing that students who are carrying at least one-half the normal full time load may receive a deferment if they have received a GSL for that enrollment period.

Additional deferments

(a) The House amendment, but not the Senate bill, provides for a three year deferment of repayment for active duty members of the National Oceanic and Atmospheric Administation Corps.

The Senate recedes.

(b) The House amendment, but not the Senate bill, provides for up to three years deferment for borrowers engaged as full-time public or private elementary or secondary teachers.

The Senate recedes with an amendment allowing deferments for teachers in geographic areas where there is a teacher shortage or in subject areas in which there are teacher shortages. The Secretary in consultation with the Chief State School Officer or appropriate private school officials will define the areas of shortages.

It is the intent of the Conferees that the Secretary, in defining shortage areas as required under Sec. 428(b)(4) of the Act, shall also consider deferments for teachers from minority groups including Blacks and Hispanics teaching at schools with high percentages of minority students, as an important means of recruiting more minorities into the teaching profession to serve as role models for those students. Deferments should also be considered in states where recent reforms require mandatory testing of current and prospective teachers, thus affecting teacher supply; and in states having mandates to reduce teacher-pupil ratios, with particular attention given to grades K-2.

The Conferees also urge the Secretary to take into consideration wherever possible the needs of state and local education agencies at the pre-school and early childhood education levels, and, further stresses their intention that all targeting reflect the needs of handicapped and special education as well as traditional pre-school, elementary, and secondary education.

(c) The Senate bill provides for up to 3 year's deferment for the care of disabled dependents, while the House amendment provides for up to 3 year's deferment for disabled spouses and children.

The House recedes.

(d) The House amendment provides for up to six months of parental leave, while the Senate bill provides for up to six months of maternal leave.

The Senate recedes.

Working mother deferral

The Senate bill, but not the House amendment, provides that mothers of preschool children entering or reentering the workforce who earn less than $1 above minimum wage will have a deferment of loan repayment for a period not to exceed 12 months.

The House recedes with an amendment applying the same provisions to FISL loans.

Loan disbursement

The House amendment, but not the Senate bill, allows the second installment of a loan to be made sooner than one-third of the period, if it is necessary to permit the installment to be disbursed at the beginning of the second term of enrollment.

The Senate receded with amendments to clarify that:

> multiple disbursement does not apply to supplemental parent and student loans, consolidation loans, or loans to students attending foreign schools; and
>
> the periods of enrollment to which multiple disbursement applies.

The Conferees understand that the present forms filled out by students applying for loans may not request adequate information to determine the times at which loans disbursements are to be made. However, it is not the intention of the Conferees that the forms should be reprinted because they do not require the starting and ending dates of enrollment periods.

Incorporation of supplemental agreement

The House amendment, but not the Senate bill, incorporates the provisions of the supplemental agreement in Section 428A of current law into the agreement in section 428(b).

The Senate recedes.

Regulations to control risk

The House amendment, but not the Senate bill, alters the authority of the Secretary to promulgate regulations which "protect the financial interests of the United States" to regulations which "protect the United States from the risk of unreasonable loss."

The Senate recedes.

Transfers between guaranty agencies

The Senate bill, but not the House amendment, allows guaranty agencies to transfer loans to other guaranty agencies.

The House recedes with an amendment to require that the agencies must have consent of the holder of the loan.

Inducements by guaranty agencies

The Senate bill, but not the House amendment, prohibits agencies from offering inducements to educational institutions or employees to secure applicants for loans.

The House recedes.

Foreign study deferral

The Senate bill, but not the House amendment, provides that the Secretary shall approve any course of study at a foreign university accepted for completion of a recognized international fellowship program as grounds for a deferment of loan repayment.

The House recedes.

Multistate guarantor reporting

The Senate bill, but not the House amendment, requires each multistate guarantor to provide information on students for whom they are guarantors to the State-designated agency in the state where the student is a resident.

The House recedes with an amendment which allows any guaranty agency to request information from any other agency on borrowing by students in its State. The address of the borrower cannot be provided and the agency requesting the information must pay the costs associated with complying with the request. The amendment becomes effective January 1, 1987 and expires when the student loan data system provided for in section 485B becomes effective and the Secretary can provide this information on a timely basis.

It is the intention of the Conferees that only those costs directly associated with providing the requested information can be charged. Agencies may not charge a service fee.

Reimbursing supplemental pre-claims costs

The Senate bill, but not the House amendment, allows the Secretary to reimburse agencies for the costs of supplemental pre-claims assistance under reinsurance.

The House recedes with an amendment prohibiting any entity from performing both supplemental pre-claims assistance and collections activities on the same loan.

The Conferees do not intend to prohibit the same entity from providing both supplemental pre-claims assistance and collections assistance for the same contractor, provided that in no instance would the same entity provide both forms of assistance on the same student loan.

The Conferees also wish to clarify that, in the case of accounts brought into repayment status as a result of the performance of supplemental pre-claims assistance, the cost of such assistance is a permissible charge-back to the borrower for which the borrower shall be liable. The amount of such charges should be drawn from the first payments received from the borrower resulting from the supplemental pre-claims effort and shall be paid to the entity performing the supplemental pre-claims assistance under the terms of the contract with the guarantor.

Contractual right to default payment

The House amendment, but not the Senate bill, deems that the guaranty agency has a contractual right against the United States to receive reimbursement on defaulted loans. The Secretary is directed to make prompt payment to the guaranty agencies on claims.

The Senate recedes.

Reinsurance rates based on default rates

The Senate bill, but not the House amendment, reduces the reinsurance triggers for States with default rates between 5 percent and 9 percent from 90 percent to 80 percent and for States with rates in excess of 9 percent from 80 percent to 70 percent.

The House recedes with an amendment establishing a reinsurance fee based on default rates to be paid to the Federal government by the guaranty agencies. Agencies with a default rate less than 5 percent will pay a fee equal to .25 percent of the total principal amount of loans on which they issued insurance during the fiscal year. Agencies with default rates equal to or greater than 5 percent will pay a fee equal to .5 percent of such amount.

Additional guaranty agreement conditions

The House amendment, but not the Senate bill, requires that the guaranty agreement shall require:

(a) Guaranty agencies to submit proof that reasonable attempts were made to locate the borrower, in the case of a defaulted loan when the borrower's location was unknown and proof of contact with the borrower when the location was known;

The Senate recedes.

(b) Guaranty agencies to set forth assurances that they will not engage in any patterns of discrimination which result in borrowers being denied access to loans because of race, sex, color, religion, national origin, age, handicapped status, income, or the characteristics of the borrower's academic program;

The Senate recedes.

(c) Guaranty agencies be allowed to permit forebearance on defaulted loans.

The Senate recedes.

Collection costs

The House amendment, but not the Senate bill, allows guaranty agencies to retain 30 percent of collections to cover agency costs without proof of such incurred costs to the agency.

The Senate recedes.

Garnishment provisions

The House amendment, but not the Senate bill, allows guaranty agencies in States which adopt the garnishment provisions provided for in the House amendment to retain 35 percent of their collections instead of 30 percent. The House garnishment provisions limit the amount that may be withheld to 10 percent of disposable pay; require notice to the borrower and an opportunity to respond; provide the borrower with the opportunity to review existing information; provide the borrower the opportunity to establish a repayment schedule with the guaranty agency; sets penalties for employers' non-compliance after notice; and prohibit the employer from firing or taking disciplinary action against an employee whose wages are garnished.

The Senate recedes.

Rehabilitation of defaulted loans

The House amendment, but not the Senate bill, allows guaranty agencies or the Secretary to sell defaulted loans which have been in repayment status for 12 months and allows the borrower having such a rehabilitated loan to be eligible to receive additional loans.

The Senate recedes with an amendment providing for a three-year pilot program only and for an evaluation study of the program. In order to qualify the participants must have been institutionalized or unemployed at the time of default.

Supplemental guaranty benefits

The House amendment, but not the Senate bill, applies the supplemental agreement benefits to the basic guaranty agreement and repeals the supplemental guaranty agreement provisions because the supplemental provisions are incorporated into the basic agreement.

The Senate recedes.

Contractual right to administrative cost allowance

The House amendment, but not the Senate bill, provides for a contractual right on the part of the guaranty agencies to receive prompt payment of the administrative cost allowance.

The Senate recedes.

Default information

The Senate bill, but not the House amendment, allows guaranty agencies to provide information to eligible institutions on former students of the institution who are in default, including the names and addresses of such students. Public dissemination of such information is not authorized.

The House recedes.

It is the intention of the Conferees that the activities performed by educational institutions relating to delinquent or defaulted borrowers be clearly supplemental to the due diligence required to be performed by guarantors and lenders under this part and that such activities in no way supplant their responsibilities.

Supplemental guaranty agreement

The House amendment, but not the Senate bill, repeals Section 428A, Loan Insurance Supplemental Guaranty Agreement, having incorporated its provisions into a single guaranty agreement provided for in Section 428.

The Senate bill, but not the House bill, amends Section 428A to conform it to the changes in annual and aggregate loan limits provided for in the Senate bill.

The Senate recedes.

Additional supplemental agreement requirements

The Senate bill, but not the House amendment, modifies Section 428A(a)(1), relating to the eligibility of guaranty agencies for Federal reinsurance, and Section 428A(a)(2) relating to the eligibility of guaranty agencies for administrative allowances, to require that guaranty agencies provide eligibility for all eligible lenders under reasonable criteria unless a lender has been eliminated from the program under limit, suspend and terminate or there is a State constitutional prohibition affecting the eligibility of a lender. The Senate bill also requires that the guaranty agency provide assurances that it will report annually to the Secretary concerning these criteria. In current law, these requirements apply only to institutional (i.e., school) lenders.

The House recedes with an amendment requiring agencies to report to the Secretary only on any changes in criteria.

Commingling of funds

The House amendment, but not the Senate bill, provides for a new Section 428A, Commingling of Funds, which permits guaranty agencies to commingle funds received under this program and to use them to carry out any of the purposes for which the funds are authorized, except that expenditures for a particular purpose may not exceed the amount authorized to be spent for that purpose and guaranty agencies must still comply with their accounting or auditing obligations.

The Senate recedes with an amendment clarifying the House language and strengthening it.

Supplemental or auxiliary loan limits

(a) The Senate bill amends the Auxiliary Loans to Assist Students (ALAS) program by increasing the annual loan limit for parents from $3,000 to $4,000 on behalf of each student in the family. The aggregate loan limit for parents is increased from $15,000 to $20,000. These same increases in the annual and aggregate loan limits apply as well to graduate and professional students. The annual loan limit for independent undergraduate students is increased from $2,500 to $4,500 and the aggregate loan limit for these students is increased from $12,500 to $22,500.

The Senate recedes.

(b) The House bill repeals the ALAS program and establishes in its place separate programs of Supplemental Loans for Students and Loans for Parents.

The Senate recedes.

(c) The Supplemental Loans for Students in the House bill differs from the current ALAS program by taking all students eligible for these loans (not just graduate, professional and independent undergraduate students). It increases the annual loan limit from $3,000 to $4,000, and it increases the aggregate loan limit from $15,000 to $20,000.

The Senate recedes with an amendment excluding dependent undergraduates from eligibility for the Supplemental Loans for Students.

(d) The House amendment, but not the Senate bill, deletes the separate limitations on borrowing by independent undergraduate students.

The Senate recedes.

(e) The House amendment, but not the Senate bill, requires that interest payments which are deferred shall, at the option of the lender, either be paid quarterly or added to the principal amount of the loan (i.e., capitalized).

The Senate recedes with an amendment providing that repayment will commence 60 days after the loan is disbursed with the option to defer payments of interest and principal while the student is in school.

(f) The House amendment permits Supplemental Loans for Students and ALAS loans to be consolidated into a single repayment schedule.

The Senate recedes with a technical amendment on the method of consolidating the loans.

(g) The House amendment, but not the Senate bill, deletes the restrictions on FISL insurance of supplemental loans to students.

The Senate recedes.

The Conferees expect that the Guaranteed Student Loans shall be available only to otherwise qualified health professions residents who are paying tuition and fees. Supplemental loans may be made to qualified medical residents, whether they pay tuition or not, in amounts not to exceed the total costs of education, computed using a standard student budget, less other aid or stipend payments received. Annual borrowing limits for residents shall be the same as those applicable to other graduate and professional students. Hospitals that conduct resident training programs which comply with Department of Education requirements, shall be considered institutions of higher education for the purpose of awarding Supplemental Loans.

The Conferees were concerned that the confusion about resident eligibility for Guaranteed Student Loans and Supplemental Loans has led to inconsistent and overly restrictive interpretations. It is the intent of the Conferees that access to Guaranteed Student Loans be limited to medical residents who are paying tuition and fees and have the same borrowing needs as other graduate and professional students.

The Conferees also recognize the fact that some residents—including many non-physician residents—do not receive stipends, and others are paid amounts that often fall short of reasonable student living costs. The Conferees expect these students to have access to the Supplemental program to meet their remaining need.

Parent loans

(a) The Loans for Parents program in the House amendment allows parents to defer repayment for up to three years for temporary total disability and for a single period of up to one year if the borrower is unemployed.

The Senate recedes with an amendment extending the provision to dependent student borrowing.

(b) The House amendment, but not the Senate bill, increases the annual loan limit from $3,000 to $4,000.

The Senate recedes.

(c) The House amendment, but not the Senate bill, provides for an aggregate loan limit of $20,000.

The Senate recedes.

(d) The House amendment, but not the Senate bill, requires repayment of principal and interest to begin not later than 90 days after the loan is disbursed.

The Senate recedes with an amendment providing for repayment to begin not later than 60 days, but allowing the lender at the request of the borrower to defer and capitalize payments until the student for whose benefit the loan was made ceases to remain a student.

(e) The House amendment, but not the Senate bill, permits Loans for Parents and ALAS loans made under current law to be consolidated into a single repayment schedule.

The Senate recedes.

The Conferees agreed to a substitute for the 12% interest rates in the student and parent supplemental loan programs. Under the provision a variable rate is established for all new supplemental loans. All loans are to be made at an interest rate equal to the one-year T-bill plus 3.75%, with a maximum allowable rate of 12%. A special allowance would be paid only if T-bill + 3.75 exceeded 12%.

Additionally, the conferees established a refinancing program at the newly established variable rate offered to borrowers at the option of the lender. The current holder of the loan is given the first option to refinance the loan. A refinancing fee of $100 is charged to borrowers to defray the administrative costs associated with refinancing.

Under current law, lenders may charge an interest rate of up to 12%. However, most lenders charge a flat 12% interest rate, indicating that the flexibility provided in law has been under utilized. As a result, the Conferees considered making refinancing of supplemental loans mandatory. Although the Conferees decided against mandatory refinancing, it is their intention that lenders will make refinancing available to all borrowers. The Conferees intend that the Congress will conduct oversight regarding the availability of refinancing to all borrowers.

Loan consolidation

(a) The Senate bill, but not the House amendment, permits Health Professions Student Loans (HPSL) to be included in Consolidation Loans.

The House recedes.

(b) In providing for insurance coverage of Consolidated Loans, the House amendment, but not the Senate bill, cross-references the authority of the Student Loan Marketing Association (Section 439(o)) which expired on November 1, 1983.

The Senate recedes.

(c) The House amendment requires a borrower to have outstanding indebtedness of not less than $7,500 to be eligible for a Consolidation Loan. The Senate bill requires an eligible Consolidation Loan borrower to have an outstanding indebtedness to one or more lenders or programs of not less than $5,000 to be eligible for a Consolidation Loan.

The House recedes.

(d) The Senate bill, but not the House amendment, requires that an eligible Consolidation Loan borrower not have been enrolled at least half-time in postsecondary education during the previous four months.

The Senate recedes.

(e) The House amendment, but not the Senate bill, permits an eligible consolidation Loan borrower to be in the grace period preceding repayment.

The Senate recedes.

(f) The House amendment, but not the Senate bill, specifies that a Consolidation Loan counts against the borrower's aggregate loan limits under the GSL program.

The Senate recedes.

(g) The House amendment, but not the Senate bill, permits a lender to make a Consolidation Loan to a borrower only if the borrower certifies that he or she has no other application pending for a Consolidation Loan.

The Senate recedes.

(h) The House amendment, but not the Senate bill, provides that an eligible lender must agree to make a reasonable effort to notify each borrower to whom they have made a Guaranteed Student Loan of the availability and terms of Consolidation Loans.

The Senate recedes with an amendment which requires that this information be provided to the borrower at or prior to the point of loan disbursement.

(i) The House amendment provides that the Secretary will not issue a certificate of comprehensive insurance to a lender unless the Secretary determines that such lender has been denied a certificate of insurance, the guaranty agency which insures the preponderance of its loans (by value). The Senate bill provides that the Secretary will not issue a certificate of comprehensive insurance to a lender if the Secretary determines that the lender has reasonable access in its State, for the purpose of obtaining such a certificate, to a guaranty agency.

The Senate recedes with an amendment giving the right of first refusal to issue the certificate of insurance to the guarantor with the largest percentage value of the loans guaranteed under the consolidation.

(j) The House amendment requires that the maker of the Consolidation Loan obtain from the holder or holders of each loan a certificate attesting to the validity and the legality of the loans. The Senate bill requires that the maker of the Consolidation Loan determine to its satisfaction, in accordance with reasonable and prudent business practices, that these conditions have been met.

The House recedes.

(k) The House amendment, but not the Senate bill, provides that the certificate of comprehensive insurance shall include the reporting requirements of the Secretary on the lender, an identification of the Office of the Department of Education or of the guaranty agency which will process claims and perform other related administrative functions, and the alternative repayment terms which will be offered to borrowers by the lender.

The Senate recedes.

(l) The Senate bill, but not the House amendment, requires that the loan agreement between the borrower and the lender contain a notice of the possibility of a revised payment schedule.

The Senate recedes.

(m) The House amendment provides that borrowers of Consolidation Loans will have available to them all of the deferments available to regular GSL borrowers. The Senate bill provides for deferments only during periods of full-time study, study pursuant to a graduate fellowship program approved by the Secretary, study pursuant to a rehabilitation training program for disabled individuals approved by the Secretary, not in excess of two years during which the borrower is serving an internship, not in excess of three years during which the borrower is temporarily totally disabled and a single period not in excess of one year during which the borrower is unemployed.

The Senate recedes with an amendment limiting deferments to full-time study, temporary disability and unemployment.

The Conferees intend that lenders who hold Title IV loans provide information to borrowers during grace and deferral periods that will enable students to make fully informed decisions about all loan consolidation and combined payment plans available to them. The Conferees are concerned that all borrowers be informed of the deferrals and grace periods for which they are eligible and that after consolidating their loans the only deferments for which they are eligible are in-school periods, disability, and unemployment. Lenders who offer consolidation and combined payment plans are expected to design these plans in a way that maximizes each borrower's available deferrals and grace period(s). Lender efforts to encourage students to consolidate their loans prior to the expiration of Title IV deferral periods would be contrary to the intent of the Conferees in establishing the loan consolidation and combined payment plans.

(n&o) The Senate bill provides that the interest rate on a Consolidated Loan will be at 10% unless one or more of the loans being consolidated is an ALAS loan in which case the interest rate will be the highest rate of the ALAS loan being consolidated. The Senate bill further provides that in the first month of the tenth year of repayment the interest rate will be adjusted to a market rate established by the Secretary of the Treasury at the beginning of the calendar year based on the average of the bond equivalent rates of 91-day Treasury bills auctioned during the preceding year plus 3.25%.

The Senate bill also provides that this interest rate adjustment will not be made in the case of borrowers who are determined pursuant to regulations prescribed by the Secretary to be low-income individuals or individuals who have a high ratio of outstanding loans to income.

The House amendment provides that the interest rate on a Consolidated Loan will be 8% during the first four years of repayment, 9% during the 5th through 7th years of repayment, 10% during the 8th through 10th years of repayment and 12% during the 11th through 25th years of repayment. The House bill further provides that in no event will the interest rate on a Consolidated Loan be less than the weighted average of the interest rates on the loans consolidated.

The Senate recedes with an amendment which sets the interest rate at the weighted average of the interest rates on the loans consolidated rounded to the nearest percent with a minimum interest rate of 9%.

(p) The Senate bill, but not the House amendment, provides that the minimum payment must equal the accrued unpaid interest for the payment period.

The House recedes.

(q) The House amendment, but not the Senate bill, provides that the repayment schedule for Consolidated Loans may be income sensitive.

The Senate recedes with an amendment providing for the establishment of graduated or income-sensitive repayment schedules.

(r&s) The Senate bill provides that the length of repayment period for a Consolidation Loan will not be more than 15 years except if the original amount of the Consolidation Loan exceeds $25,000 and the borrower also has a Health Education Assistance Loan (HEAL) which together with the Consolidation Loan exceeds $30,000, then the repayment period for the Consolidation Loan will not be more than 20 years.

The House amendment provides that the length of the repayment period for a Consolidation Loan will not be more than 15 years in the case of a Consolidation Loan which is less than $15,000. The House bill further provides that if the Consolidation Loan equals or exceeds $15,000 but is less than $35,000 or if the sum of the Consolidation Loan and other outstanding loans equals or exceeds $15,000 but is less than $35,000, the repayment period will be not more than 20 years. The House bill also provides that if the Consolidation Loan equals or exceeds $35,000 or if the sum of Consolidation Loans and outstanding student loans equals or exceeds $35,000, the repayment period will not be more than 25 years.

The Conference substitute provides for the following terms of repayment: Consolidated Loans between $5,000 and $7,500 will be allowed a repayment period not to exceed 10 years; Consolidated Loans between $7,500 and $10,000, with the balance including minimum of $5,000 in Guaranteed Student Loans will receive a repayment period not to exceed 12 years; Consolidated Loans and other educational loans between $10,000 to $20,000 will be allowed a repayment period not to exceed 15 years; Consolidated Loans and other educational loans between $20,000 and $45,000 will be allowed a repayment period not to exceed 20 years; Consolidated Loans and other educational loans of $45,000 and greater will be allowed a repayment period not to exceed 25 years. At least 50% of the indebtedness considered in determining the length of the repayment period must be consolidated loans.

(t) The Senate bill, but not the House amendment, provides that the monthly repayment amount may be rounded to the nearest $5.

The House recedes.

(u) The Senate bill provides that the consolidation loan program will expire on September 30, 1991. The House amendment provides that the Consolidation Loan program will expire on September 30, 1992.

The Senate recedes.

(v) The Senate bill, but not the House amendment, provides that the Secretary of Education is not authorized to promulgate rules or regulations governing the terms or conditions of the agreement with the lenders and certificates of insurance.

The House recedes.

(w) The Senate bill provides that Consolidation Loans will not be considered as new loans for the purposes of the limitation on the total amount of loans that may be insured under the Federal Insured Student Loan (FISL) program. The House amendment provides that Consolidation Loans will be considered for the purposes of this limitation.

The Senate recedes.

(x) The Senate bill, but not the House amendment, requires the Secretary of Education to evaluate the cost, efficiency and impact of the Consolidation Loan program and report his findings and recommendations to the Congress not later than June 30, 1988.

The House recedes with an amendment directing the Comptroller General to conduct the study and report his findings and recommendations to the Congress no later than June 30, 1988.

Fiscal responsibility

The House amendment, but not the Senate bill, changes "protecting the financial interest of the United States" to "protecting the United States from the risk of unreasonable loss."

The Senate recedes.

Borrower location

The House amendment, but not the Senate bill, requires the guaranty agencies to submit proof that attempts were made to locate the borrower in the case of a default.

The Senate recedes.

Credit bureaus

The House amendment, but not the Senate bill, requires the guaranty agency to make reports to credit bureaus on the date and amount of disbursement, default date, and collection, and cancellation of the loan through repayment. Current law requires reporting throughout the life of the loan by guaranty agencies, lenders and subsequent holders.

The Senate recedes with an amendment requiring holders of loans to report on current balances rather than each disbursement. Holders are to report on loans in good standing and guaranty agencies on loans in default status.

Reporting authority

The House amendment, but not the Senate bill, allows reporting agencies to report material on GSLs for seven years from October 1, 1985, if the Secretary paid a claim prior to that date but did not report it to a consumer reporting agency.

The Senate recedes.

Fiscal responsibility

The House amendment, but not the Senate bill, changes "protecting the financial interest of the United States" to "protecting the United States from the risk of unreasonable loss."

The Senate recedes.

Accounting and auditing standards

The House amendment, but not the Senate bill, requires accounts to be maintained in accordance with generally accepted accounting principles rather than procedures applicable to commercial corporate transactions as provided for in the Government Corporation Control Act, as required by current law.

The Senate recedes.

Audits of program participants

The House amendment, but not the Senate bill, allows the Comptroller General and the Inspector General of the Department of Education to conduct financial audits of guaranty agencies, eligible lenders, and secondary markets and direct lenders.

The Senate recedes.

Civil penalties

The House amendment, but not the Senate bill, increase the civil penalty from $15,000 to $25,000.

The Senate recedes.

Limitation, suspension, and termination

The Senate bill, but not the House amendment, requires the Secretary to limit, suspend or terminate lenders who engage in fraudulent or misleading advertising that have led to making loans or the making of loans that violate the certification for eligibility.

The House recedes.

Sale of defaulted loans

The Senate bill, but not the House amendment, authorizes the Secretary to sell defaulted loans (assigned to the United States) to collection agencies.

The House recedes with an amendment requiring that the provision only apply to loans that are in default status and only as a last recourse after all other collection efforts have failed and the loan has been in default for at least one year. Sale of the loans is not limited solely to collection agencies.

Institutional lenders

The House amendment, but not the Senate bill, repeals section 433, which provides the terms for institutional lenders and includes institutional lenders under the general requirements for all lenders.

The Senate recedes.

Disclosure of loan information

The Senate bill, but not the House amendment, requires that the information given the student borrower include a statement of the total cumulative balance owed, the projected level of indebtedness of the student (based on a 4-year college career), and an estimate of the projected monthly repayment.

The House recedes with an amendment clarifying that the provision only applies to those loans held by the lender.

Truth in lending

The House amendment, but not the Senate bill, provides that lenders not be subject to the Truth in Lending Act with regard to guaranteed student loans.

The Senate recedes.

Separate statement of rights and responsibilities

The Senate bill, but not the House amendment, requires the lender, each time a loan is disbursed, to provide the borrower with a separate paper summarizing his rights and responsibilities including a statement of consequences of default and a statement that defaults will be reported to a credit bureau.

The House recedes with an amendment requiring that the statement be written in plain English which is easily understood.

Use of salesmen

The House amendment, but not the Senate bill, extends the prohibition against the use of commissioned salesmen to promote the availability of loans to the Supplemental Loans for Students and Loans to Parents programs.

The Senate recedes.

Schools outside the United States

Both the House amendment and the Senate bill provide that with respect to eligible institutions outside the United States or which are vocational schools approved by the Secretary for purposes of this part the Secretary may establish criteria by regulation for qualifying such institutions. The House amendment further provides that the criteria in the case of a graduate medical school outside the United States may include a requirement that not less than 90% of the students who are nationals of the United States enrolled in such school shall have scored in the top one-quarter on an approved medical college admissions examination and that such students achieve a pass rate of not less than 50% on examinations administered by the Educational Commission for Foreign Medical Graduates. The Senate bill mandates that criteria for medical schools outside the United States shall include a requirement, that at least 75% of its students are nationals of the country in which the medical school is located.

The House recedes with an amendment requiring that 60% of the students be nationals of the country in which the school is located and that 45% of the United States students shall pass the foreign medical graduates examination in 1987 and that 50% must pass the test in 1988 and in subsequent years.

Nursing school definitions

The House amendment, but not the Senate bill, repeals the definitions of a "collegiate school of nursing," "associate degree school of nursing," and "accredited" when applied to a program of nurse education references to them.

The Senate recedes.

Eligible lender definition

The Senate bill, but not the House amendment, includes trust companies and a stock savings bank in the definition of an eligible lender.

The House recedes.

Trust company exception

The Senate bill, but not the House amendment exempts from the prohibition against an eligible lender having as its primary consumer credit function the making or holding of student loans a trust company which makes student loans as a trustee pursuant to an express trust.

The House recedes with an amendment limiting the exception to an institution which participated in the program prior to January 1, 1981 and exempting single wholly owned subsidiaries of a bank holding company.

The amendment reflects the Conferees' understanding of current practice as it applies to bank holding companies.

Rural rehabilitation corporation

The House amendment, but not the Senate bill, includes the Rural Rehabilitation Corporation within the definition of an eligible lender.

The Senate recedes.

Hearing on disqualification

The House amendment, but not the Senate bill, provides that an eligible lender may only be disqualified as an eligible lender for the use of certain incentives if the determination by the Secretary that such incentives have been offered is made after notice and opportunity for a hearing.

The Senate recedes.

Disqualification for false advertising

The Senate bill, but not the House amendment, provides for the disqualification of a lender as an eligible lender if the lender engages in fraudulent or misleading advertising.

The House recedes with an amendment prohibiting unsolicited mailings of student loan application forms to students unless the students have previously received loans under this part from such lender.

The Conferees do not consider advertising a telephone number which can be called to request additional information regarding eligibility and application for a GSL fraudulent or misleading.

Lender reports

The Senate bill, but not the House amendment, requires each eligible lender to report annually to the Secretary concerning the amount of special allowance received. The Secretary may make only aggregate data available.

The House recedes with an amendment requiring the Comptroller General and the Inspector General, at the request of the House or Senate Committees, to determine from a representative sample of eligible lenders, with respect to the payment of the special alllowance under section 438, the profitability of the program to lenders.

Temporary total disability

(a) The House amendment, but not the Senate bill, provides a definition of temporary total disability with respect to the disabled child of a single parent borrower.

The Senate recedes with an amendment changing "child" to "dependent".

(b) The House amendment, but not the Senate bill, provides that determinations of temporary total disability will be established by a sworn affidavit of a qualified physician.

The Senate recedes.

Parental/maternal leave

The House amendment, but not the Senate bill, provides for a definition of the term "parental leave."

The Senate recedes.

Holder definition

The House amendment, but not the Senate bill, provides for a definition of the term "holder."

The Senate recedes.

Insurance beneficiary definition

The House amendment, but not the Senate bill, transfers the definition of the term "insurance beneficiary" to section 435 from section 430(e)(2).

The Senate recedes.

Default definition

The House amendment, but not the Senate bill, transfers the definition of the term "default" to section 435 from section 430(e)(2).

The Senate recedes.

Special allowance

The Senate bill, but not the House amendment, reduces the special allowance from 3.5 percent above the 91-day T-bill rate to 3.00, except for holders of loans from tax exempt obligations, which would continue to receive one-half the 3.5 percent special allowance rate.

The House recedes with an amendment making the rate 3.25 percent above the 91-day T-bill, and allowing special allowances for the State of Maine Secondary market and the State of South Carolina Direct Lender which are related to their 1984 and 1985 taxable issues, respectively, to be 3.5% above the 91-day T-bill.

Prompt payment

The House amendment, but not the Senate bill, requires the special allowance to be paid promptly.

The Senate recedes.

Origination fees

The House amendment, but not the Senate bill, prohibits the Secretary from requiring the payment of origination fees on loans which do not receive special allowance payments.

The Senate recedes.

Plan for doing business

The Senate bill repeals the plan for doing business for entities using tax exempt financing, while the House amendment gives governors of states the authority to approve or disapprove the plan for doing business. The House amendment requires the governors to approve or disapprove plans within 30 days and to submit plans to the Secretary within 60 days.

The Senate recedes with an amendment striking subparagraph (G).

The Conferees intend that all loans made or purchased by the holder with the proceeds of tax-exempt obligations governed by a plan for doing business that has been approved by the Secretary under prior law will continue to receive the special allowance payments specified in Section 438 of the Act with no need for further approval. All loans made or purchased by the holder with the proceeds of tax-exempt obligations issued prior to enactment of this legislation with respect to when the Secretary's approval of a plan was not received will then be eligible for special allowance payments from the date of approval of a Plan submitted to the Governor of the State in accordance with subsection 438(d) of the Act. However, such approval date may not be prior to the date of enactment of this Act.

Report to Congress

The House amendment, but not the Senate bill, requires the Secretary to report to the authorizing committees at the end of each fiscal year regarding:

(a) the amount of student loan capital provided through tax-exempt financing;

(b) its impact on availability of student credit, and an assessment of the need for additional tax-exempt financing;

(c) any other relevant information.

The Senate recedes.

General authority of Sallie Mae

The Senate bill but not the House amendment:

(a) requires the Association to provide secondary market and other support and not to replace or compete with such other programs;

(b) prohibits the Association from purchasing or in any way controlling a bank or savings and loan association;

(c) requires the Association to report to the Congress not later than 30 days prior to implementing any new programs under the general authority of the Board of Directors.

The House recedes. It is the intention of the Conferees that the Congress need only be advised of new programs to be offered under the authority found in section 439(d)(1)(D), not each individual proposed transaction which may be undertaken after a program is put in place under the authority. The Conferees do intend that in carrying out its activities under section 439(d)(1)(D), Sallie Mae shall be mindful of the need to support lending programs offered by others. Sallie Mae's objective should not be simply to substitute its programs for effective programs developed by others. Instead, Sallie Mae should identify education credit needs that have not been fully met by others, and design programs to meet those needs.

Construction obligations

The Senate bill and the House amendment both give Sallie Mae the authority to deal in obligations for the construction of academic facilities. But the Senate bill limits that authority to providing services only to those institutions who have difficulty in acquiring other funding.

The House recedes with an amendment targeting 75% of the lending volume on noninvestment grade institutions and 25% on rated institutions.

Tax treatment of interest

The House amendment, but not the Senate bill, exempts the interest on obligations from being deemed to be interest on indebtedness incurred, to the extent that the average outstanding amount of the obligations owned by Sallie Mae and exempt from taxation does not exceed the average stockholders equity of the association.

The Senate recedes.

Bankruptcy priority

The House amendment, but not the Senate bill, repeals the 1990 expiration date for the bankruptcy priority.

The Senate recedes with an amendment establishing the expiration date as 1992.

Federal Reserve banks

The House amendment, but not the Senate bill, allows the Federal Reserve Banks to act as depositories, custodians or fiscal agents for the Association.

The Senate recedes.

Book-entry system

The House amendment, but not the Senate bill, authorizes the Secretary of the Treasury to promulgate regulations to allow the Association to use the book-entry system of the Federal Reserve Banks.

The Senate recedes.

Regulations

(a) The House amendment, but not the Senate bill, makes the changes made by law effective without regard to whether they are reflected in regulations prescribed by the Secretary.

The Senate recedes.

(b) The House amendment, but not the Senate bill, provides that no change in any regulation that is prescribed on or after October

1, 1985, shall be effective unless approved by a joint resolution of the Congress.

The House recedes.

Bankruptcy provision

The Senate bill, but not the House amendment, strengthens the provision for recovery of defaulted student loans under chapter 13 of the Bankruptcy Act.

The Senate recedes.

COLLEGE WORK STUDY

Purpose

The House amendment, but not the Senate bill, includes graduate and professional students in the statement of purpose.

The Senate recedes.

AUTHORIZATION

[In millions of dollars]

Fiscal year	Senate bill	House amendment	Conference agreement
1987	622.175	700	656
1988	653.371	(1)	(1)
1989	685.893	(1)	(1)
1990	720.187	(1)	(1)
1991	756.197	(1)	(1)

[1] Such sums.

Allocation formula

Both the Senate bill and the House amendment create new allocation formulas which eliminate the state allotment formulas in current law. The formula in the House amendment provides that amounts in excess of a hold harmless based on the fiscal year 1979 appropriation and an allocation to new institutions participating in the program will be provided to institutions based on financial need of their undergraduate students. The formula in the Senate bill provides that amounts in excess of a hold harmless based on the fiscal year 1985 appropriation will be provided to institutions based on their enrollments of students eligible to participate in the program. The Senate recedes with an amendment providing that institutions will be held harmless at their allotment based on the fiscal year 1985 appropriation or a prorata share thereof in the event of insufficient appropriations; that institutions participating in the program for the first or second time will receive an allocation based on the allocation received by comparable institutions; that 25% of any additional funds will be allocated to all institutions as an equal percentage increase; and that the remaining 75% of any additional funds will be allocated to institutions based on the financial need of their undergraduate students.

Institutional share

The Senate bill, but not the House amendment, provides that the institutional share of wages paid to students in the Community Service Learning program will be not less than 10%.

The House recedes.

Less-than-half-time students

The House amendment, but not the Senate bill, provides that if the need of less-than-half-time students is included in the calculation of an institution's need for CWS funds, a "reasonable proportion" of the funds will be provided to these students.

The Senate recedes.

Continued employment

The House amendment, but not the Senate bill, rewrites the provision of current law governing the continued employment of students who have earned in excess of $200 more than their CWS eligibility to permit such students to continue to be employed in non-CWS jobs.

The Senate recedes.

Maintenance of effort and institutional share

The House amendment, but not the Senate bill, deletes the maintenance of effort requirement and increases the institutional share of CWS compensation provided to students from at least 20% currently to at least 25% for academic year 1989-90 and to at least 30% for the academic year 1990-91 and succeeding academic years.

The Senate recedes.

Community service learning jobs

The Senate bill, but not the House amendment, permits institutions to use up to 10% of their CWS funds for Community Service Learning jobs.

The House recedes.

Proprietary school students

Both the House amendment and the Senate bill provide that students attending proprietary institutions may be employed in work-study jobs at the institution and also require that such employment be in jobs related to providing student services as determined by the Secretary by regulation. The Senate bill also provides that such employment on-campus be related to the extent practicable to the students' educational objectives and not be in a position that would involve the solicitation of other potential students to enroll in the school.

The House recedes with an amendment providing that the employment "to the maximum extent practicable, complement and reinforce the educational programs or vocational goals of such students." The managers wish to make it clear that students attending both proprietary institutions and non-profit institutions may continue to be employed under the CWS program in jobs at off-campus non-profit institutions.

Private sector employment

The Senate bill, but not the House amendment, provides that Private Sector Employment Agreements shall provide that the work-study jobs will be academically relevant and that the for-profit organization will not use CWS funds to pay any employee who would otherwise be employed by the organization.

The House recedes.

Reallocation

The Senate bill, but not the House amendment, deletes the requirement that funds that institutions are unable to use will be reallocated to institutions in the same state.

The House recedes.

Job location

The House amendment, but not the Senate bill, increases from 10% or $25,000, whichever is less, to 20% or $50,000, whichever is less, the amount of an institution's CWS funds that may be used for the existing Job Location and Development program. The Senate bill, but not the House amendment, provides that up to 10% or $20,000 of an institution's CWS funds may be used for Community Services Job Location.

The House recedes with an amendment providing that an institution may use up to 10% or $30,000, whichever is less, of its CWS funds for the existing Job Location and Development program and that it may use up to 10% or $20,000, whichever is less, for Community Services Job Location.

Consultation

The Senate bill, but not the House amendment, specifies that a Community Services Job Location program will be developed through formal or informal consultation with local nonprofit, governmental, educational and community-based organizations.

The House recedes.

Contracts

The House amendment, but not the Senate bill, permits educational institutions to conduct their Job Location and Development program through a contract with a nonprofit organization.

The House recedes.

Eligibility

The Senate bill, but not the House amendment, requires that jobs developed through the Job Location Development Program go to students eligible to receive CWS.

The Senate recedes with an amendment providing that CWS recipients will receive a preference for the jobs developed by the program.

Education programs

The Senate bill, but not the House amendment, requires that jobs located through the Job Location and Development program to the maximum extent practicable complement and reinforce the educational programs or vocational goals of the students who hold such jobs.

The House recedes.

Payment of wages

The Senate bill, but not the House amendment, permits funds available for the Community Services Job Location program to be used to pay the wages of students at an institution of higher education if the jobs relate to the purposes of the program.

The House recedes.

Community service jobs

The Senate bill, but not the House amendment, permits unused Job Location and Development program funds to be used to pay the wages of students engaged in community services work learning jobs.

The Senate recedes.

Definition

The Senate bill, but not the House amendment, provides a definition of "community services" for purposes of the Community Services Job Location program.

The House recedes.

Literacy priority

The Senate bill, but not the House amendment, provides that the Secretary will give priority consideration to applications for Job Location and Development programs which propose community service projects involving literacy training and education.

The Senate recedes.

Education programs

The Senate bill, but not the House amendment, provides that jobs provided to students under the Work Study for Community Service Learning on Behalf of Low-Income Individuals and Families program to the maximum extent practicable complement and reinforce the educational or vocational programs or goals of such students.

The House recedes.

Definition

The Senate bill, but not the House amendment, modifies the definition of "community services" to include services identified through formal or informal consultation with local nonprofit, governmental and community-based organizations.

The House recedes.

Definition

The Senate bill, but not the House amendment, deletes from the definition of "community services" direct service, planning or applied research activities.

The House recedes.

Definition

The Senate bill, but not the House amendment, eliminates from the fields that might be included in "community services": welfare, social services, public safety, crime prevention and control and recreation and adds to these fields child care, literacy training and education (including tutorial services).

The House recedes with an amendment retaining the fields included in current law and adding the new fields contained in the Senate bill.

Program development

The Senate bill, but not the House amendment, permits funds to be used for the development of programs.

The House recedes.

INCOME CONTINGENT DIRECT LOAN DEMONSTRATION PROJECT

The Senate bill, but not the House amendment, establishes a pilot project to examine the feasibility of a direct loan program which uses the income contingent repayment method to increase the economic and full use of direct student loan funds. There are $5 million authorized for FY 1987 and for each of the four succeeding fiscal years. The Secretary may enter into agreements with not more than 10 institutions to carry out the project.

The House recedes with an amendment providing for a "such sums" authorization in the fiscal years after 1987 and for increasing the flexibility of the Secretary with respect to the measure of the borrower's income and the payment plan.

PERKINS LOANS

Perkins loans

The House amendment, but not the Senate bill, renames the National Direct Student Loan program "Perkins Loans."

The Senate recedes.

AUTHORIZATION

[In millions of dollars]

Fiscal year	Senate bill	House amendment	Conference agreement
1987	228,356	300	275
1988	239,774	(1)	(1)
1989	251,763	(1)	(1)
1990	264,351	(1)	(1)
1991	277,568	(1)	(1)

[1] Such sums.

Allocation formula

Both the Senate bill and the House amendment create new allocation formulas which eliminate the state allotment formulas in current law. The formula in the House amendment provides that amounts in excess of a hold harmless based on the FY 1979 appropriation and an allocation to new institutions participating in the program will be provided to institutions based on financial need of their undergraduate students. The formula in the Senate bill provides that amounts in excess of a hold harmless based on FY 1985 appropriation will be provided to institutions based on their enrollments of students eligible to participate in the program.

The Senate recedes with an amendment providing that institutions will be held harmless at their allotment based on the FY 1985 appropriation or a prorata share thereof in the event of insufficient appropriations; that institutions participating in the program for the first or second time will receive an allocation based on the allocation received by comparable institutions; that 25% of any additional funds will be allocated to all institutions as an equal percentage increase; and that the remaining 75% of any additional funds will be allocated to institutions based on the financial need of their undergraduate students. The substitute formula also provides for the reduction or elimination of new capital contributions to an institution depending on its default rate.

Definitions

The House bill, but not the Senate amendment provides definitions of the terms "anticipated collections" and "cash-on-hand".

The Senate recedes.

Definition of default rate

The House amendment, but not the Senate bill, provides a definition of the default rate for use in the allocation formula.

The Senate recedes.

Default penalty

The House amendment provides that institutions with a default rate in excess of 25% will receive no new Federal capital contributions and that institutions with default rates between 10% and 25% will have their Federal capital contributions reduced through the allocation formula. The Senate bill provides that for the 1987-88 award year institutions with a default rate in excess of 20% will receive no new Federal capital contributions and that institutions with default rates between 7.5% and 20% will have their Federal capital contributions reduced in accordance with regulations of the Secretary. The Senate bill further provides that for the 1988-89 and other subsequent award years institutions with a default rate in excess of 15% will receive no new Federal capital contributions and that institutions with default rates between 5% and 15% will have their Federal capital contributions reduced in accordance with regulations of the Secretary.

The House recedes with an amendment providing that the default penalty will be implemented through the allocation formula rather than in accordance with regulations of the Secretary and that in the 1991-92 award year, and other subsequent award years, institutions with a default rate in excess of 15% will receive no new Federal capital contributions and that institutions with default rates between 7.5% and 15% will have their Federal capital contributions reduced.

Filing deadlines

The House amendment, but not the Senate bill, provides that the Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

The Senate recedes. It is the intention of the conferees that the Secretary implement the NDSL referral and assignment programs provided for pursuant to section 463(a)(5)(B)(i) as soon as practicable following the date of enactment of this act.

Need required

The Senate bill, but not the House amendment, provides that institutions will make loans first to students with exceptional need.

The House recedes.

Fiscal responsibility

The House amendment, but not the Senate bill, changes "necessary to protect the financial interest of the United States" to "necessary to protect the United States from unreasonable risk of loss."

The Senate recedes.

Penalty description

The House amendment, but not the Senate bill, requires a description of penalties imposed for defaulters.

The Senate recedes.

Loan information

The Senate bill, but not the House amendment, provides that loan information provided to students by institutions will include a statement of the total cumulative balance owed by the student, the projected level of indebtedness of the student based on a two- or four-year college career and an estimate of the projected monthly repayment given the anticipated level of the student's indebtedness over a two-, four- or five-year college career.

The House recedes with an amendment conforming this information requirement to the comparable provision in the Guaranteed Student Loan program.

Loan limits

The House amendment increases the cumulative loan limits from $3,000 to $5,000 for students in their first two years of undergraduate study. The Senate bill increases this limit from $3,000 to $4,000. The House amendment increases from $6,000 to $10,000 the cumulative loan limit for undergraduates who have completed two years of study. The Senate bill increases this cumulative limit from $6,000 to $8,000. The House amendment increases from $12,000 to $20,000 the cumulative amount that may be borrowed by a graduate student (including loans received as an undergraduate). The Senate bill increases this cumulative limit from $12,000 to $16,000.

The House recedes with an amendment changing the three cumulative limits to $4,500, $9,000 and $18,000 respectively.

Less-than-half-time students

The House amendment, but not the Senate bill, provides that if the need of less-than-half-time students is included in the calculation of institution need for funds that these students are provided with a "reasonable proportion" of such funds.

The Senate recedes.

Grace period

The House amendment, but not the Senate bill, increases the grace period from 6 to 9 months.

The Senate recedes.

Rounding

The Senate bill, but not the House amendment, provides that the amount of repayment may be rounded to the nearest $5.

The House recedes.

Deferment for NOAA

The House amendment, but not the Senate bill, provides for a 3 year deferment of repayment while the borrower is an active duty member of the National Oceanic and Atmospheric Administration Corps.

The Senate recedes.

Teacher deferment

The House amendment, but not the Senate bill, provides for a 3 year repayment deferment while the borrower is a full-time teacher in a public or private elementary or secondary school.

The House recedes.

Maternal/parental leave

The Senate bill provides for a 6 month repayment deferment for maternity leave. The House bill provides for a 6 month repayment for parental leave.

The Senate recedes.

Deferment for mothers

The Senate bill, but not the House amendment, provides for a 12 month deferment for a mother with preschool age children who is just entering or reentering the workforce and who is paid not more than the minimum wage.

The House recedes with an amendment specifying that the wage may not be more than the minimum wage plus $1 per hour.

Cancellations

The Senate bill, but not the House amendment, provides for loan cancellation for service as a Peace Corps or Vista volunteer at a rate of 15% per year for the first two years and 20% per year for the third and fourth years of such service for any period of enrollment beginning on or after July 1, 1986.

The House recedes.

Repealer

The House amendment, but not the Senate bill, repeals the alternative funding mechanism and makes appropriate conforming amendments.

The Senate recedes.

Repealer

The House amendment, but not the Senate bill, repeals the provisions relating to recapture of current balance of the student loan funds and makes appropriate conforming amendments.

The Senate recedes.

NEEDS ANALYSIS

Uniform methodology

The House amendment provides for a single legislated needs analysis methodolgy which applies to all of the Title IV financial assistance programs (except the State Student Incentive Grant program and Federal Merit Scholarships). The single methodology in the House bill generally follows the Uniform Methodology which is currently used to determine expected family contribution for the campus-based financial aid programs and in some cases the Guaranteed Student Loan program. The Senate bill includes an outline of the policies and basic criteria to be used in needs analysis for the campus-based programs and the Guaranteed Student Loan program.

The Senate recedes to the needs analysis as provided in the House amendment with an amendment limiting it to the campus-based programs and the Guaranteed Student Loan program, using current year income in the case of a dislocated worker and specifying that the cost of receiving equipment for those receiving instruction through telecommunications will not be considered as part of the costs for books and supplies in determining cost of attendance. The conferees note that in those cases in which a Federal rental subsidy or other housing assistance payment is included as untaxed income in a student's expected contribution, the student's room allowance in the cost-of-attendance formula should be set equal to his or her actual rent, including the amount of the subsidy.

Independent Student Definition

The Senate bill provides that a student will be considered an independent student if the student did not have more than 6 weeks at home with the student's parents, did not receive more than $750 from the student's parents and was not claimed as a dependent for Federal income tax purposes by the parents. If the student is less than 23 years of age, he or she must meet these Senate criteria for the first calendar year of award year and the two preceding calendar years. The Senate bill provides that married students and unmarried students with minor dependents will only be considered independent if they meet the Senate criteria for the first calendar year of the award year and the preceding calendar year. The Senate bill also provides that a student will only be considered independent if in addition to meeting the Senate criteria for the applicable period of time the student demonstrates to the satisfaction of the institution, in accordance with guidelines by the Secretary, how, for the years prescribed, such student was self-supporting. The House amendment provides that a student will be considered an independent student if the student is an orphan, ward of the court, married, not married, but has legal dependents, a veteran, 23 years of age or older in July of the award year, a graduate or professional student, a student with unusual circumstances as determined by the student financial aid administrator or a student who demonstrates to the financial aid administrator self-sufficiency during the two-year period preceding July 1 of the award year and if treated as an independent student during the preceding calendar year, was not claimed as a dependent by any other person for such preceding calendar year.

The Senate recedes with an amendment substituting the age 24, requiring in the case of married students and graduate or professional students that there be an affirmative finding of independence by the student financial aid administrator based on documentation, before actual disbursement of awards, and modifying the criteria based on self-sufficiency to require that the person not have been claimed as a dependent for tax purposes for the two years prior to the award year and to require evidence of an annual income of at least $4,000 for single persons. The conferees note that in the situation where a student is denied independent student status solely as a result of being claimed as a dependent for tax purposes by a spouse, the income of that spouse, and not the income of the student's parents shall be used to determine the eligibility of the student in question.

Aid administrator discretion

The House amendment and the Senate bill permit financial aid administrators to exercise discretion to make adjustments to cost of attendance and expected family contribution computations for students, however, the Senate bill limits the exercise of such discretion to individual students, while the House amendment permits it to be exercised for groups of students.

The House recedes. The conference substitute allows the student financial aid administrators to make necessary adjustments to the need analysis computations based on additional knowledge about the financial status of students which they might have. This includes not only allowing a more liberal financial aid package for some students, but also the ability to restrict aid for students who have additional sources of support not apparent in the analysis. For example, if an aid officer was aware that a graduate or professional student was receiving support from his or her family, even though technically such student is considered independent, it is the intention of the conferees that the administrator would have the ability to reduce the student eligibility for Federal assistance accordingly. The conferees are particularly concerned that students from high income families, who are enrolled in high cost programs and who would otherwise be considered independent of their parents, be carefully evaluated to determine if a parental contribution is warranted.

Aid administrator discretion

The Senate bill, but not the House amendment, requires that for the purpose of exercising discretion in making necessary adjustments to the cost of attendance and expected family contribution computations financial aid administrators must maintain adequate documentation of adjustments.

The House recedes with an amendment clarifying that this provision also applies to adjustments in the certification of need for a Guaranteed Student Loan.

Submission of schedule

The Senate bill, but not the House amendment, provides that the schedule of expected family contributions for campus-based programs and the Guaranteed Student Loan program must be submitted to the Congress by March 1 of the year for which the schedule is applicable. Before such schedule shall become effective a joint resolution approving or modifying the proposed schedule must be adopted. If such a joint resolution has not been enacted by September 1, the Secretary shall publish by September 15 a schedule which updates the schedule of the previous year and the Secretary shall also publish a schedule which updates the Pell Grant schedule of the previous year.

The House recedes with an amendment providing that a resolution of approval is required for the implementation of any proposed modifications or updates to both the Pell Grant needs analysis and the needs analysis for the campus-based and Guaranteed Student Loan programs. In the absence of the adoption of a resolution of approval within the time frame specified, both needs analyses will be automatically updated annually according to criteria and formulas specified in the law. The Master Calendar is modified to require that by March 1 any proposed modifications or updates to the needs analyses will be published in the Federal Register, by May 1 the Congress must adopt a joint resolution of approval in order for the proposed modifications or updates to become effective and by June 1 the Secretary must publish updated versions of the needs analyses according to the criteria and formulas specified in the law, including any necessary clarifying information, in the absence of enactment of the joint resolution of approval or if a resolution of approval has been adopted with or without modifications.

Simplified needs test

The Senate bill, but not the House amendment, authorizes the Secretary to use a simplified needs test for very low-income families.

The House recedes with an amendment requiring the Secretary to submit a simplified needs test for very low-income families to the Congress subject to approval by a joint resolution. The Secretary is encouraged by the conferees to develop a simplified needs analysis form for such families.

Advisory committee

Both the House amendment and the Senate bill provide for the creation of an advisory committee on student financial assistance.

The House bill provides for a free-standing committee while the Senate establishes the committee in the Department of Education. The House committee reports only to the Congress and its 12 members are appointed by the Congress, while the Senate committee reports to both the Congress and the Secretary of Education and 6 of its 11 members are appointed by the Congress and 5 are appointed by the Secretary of Education. The House committee has no definite termination date while the Senate committee terminates after one year. The Senate committee has a one-time authorization of $1 million while the House committee has an annual authorization of $750,000.

The House recedes with an amendment providing that the committee is an independent entity in the Department of Education, is authorized without a fixed termination date and is to be provided $500,000 annually by the Secretary from the salaries and expenses of the Department. The committee is independent of the Secretary and with the authority to make recommendations directly to the Congress without review or comment in the executive branch. The committee may submit its recommendations and analyses (other than its recommendations with respect to the annual modification and updating of the needs analyses) to the Secretary for comment. The central function of the committee is to advise the Secretary and the Congress annually and simultaneously concerning modifications in the needs analyses. The committee controls its staff and its members are not paid a daily stipend but are reimbursed for travel and subsistence expenses. The committee may contract to obtain data and information.

Federal assistance

The House amendment, but not the Senate bill, provides that no portion of any financial assistance received by an individual from any program funded in whole or in part under Title IV which is used by that individual for the payment of tuition and fees shall be considered as income or resources in determining eligibility for assistance under any other program funded in whole or in part with Federal funds.

The Senate recedes with an amendment clarifying that this provision applies to Title IV assistance used by an individual to pay for tuition, fees, books, supplies, transportation and miscellaneous personal expenses.

GENERAL PROVISIONS

Ability to benefit

The House amendment requires that for students without a high school diploma or a GED to be eligible for Federal student financial assistance, the admissions standards for the institution at which they enroll must include counseling or a validated test measuring the students' aptitudes to successfully complete the program to which they have applied. The Senate bill requires that, for such students to remain eligible for Federall assistance under Title IV, they must complete an institutionally prescribed course of remedial or developmental education or receive a GED by the end of the first year. If the course of study is shorter than one year, they must meet the requirements prior to certification or graduation. The conference substitute provides that in order to remain eligible a student who is admitted on the basis of the ability to benefit from the education or training: (1) must obtain the GED diploma prior to the student's certification or graduation from the program of study; (2) or be counseled prior to admission and undertake the institution's program of remediation or developmental education by the end of the first year of the course of study; or (3) be administered a nationally recognized standardized or industry developed test, measuring the applicant's aptitude to complete successfully the program to which he or she has applied. With respect to applicants who are unable to satisfy the institution's admissions testing requirements, he or she must be enrolled in an institutionally prescribed program or course of supplemental education, not to exceed 1 academic year or its equivalent. It is the intent of the conferees that a nationally recognized standardized or industry developed test be one which meets criteria established by the appropriate accrediting body or bodies, but which is not subject to prior approval by such body or bodies. It is the intent of the conferees that this remedial or developmental education provide the student with the basic skills necessary for satisfactory performance in the training or education program which the student has chosen. The institution is not obligated to provide a separate remediation or developmental education course or program of instruction if the institution's curriculum presently includes coursework which provides the student with the basic skills necessary for satisfactory performance in the training or education program which the student has chosen. The conferees are aware that many institutions currently provide coursework which would satisfy the intent of this provision such as Business Math or English for Electricians, literacy training geared to reading maps and road signs for truck drivers or coursework providing reading comprehension skills necessary for cosmetologists. It is not the intent of the conferees that such education disrupt or interfere with the normal progress a student makes toward a degree or certificate and a student's enrollment in non-remedial coursework is not meant to be contingent upon completion of the supplemental education. The conferees do not intend that these provisions authorize or require the Secretary of Education to issue rules or regulations defining the admissions procedures or coursework provided by institutions of higher education. The conferees further want to encourage increasing basic skills instruction at institutions admitting students on the basis of ability to benefit and express their feeling that attainment of literacy is as important for the postsecondary student as attainment of vocational skills.

Application fees

The House amendment, but not the Senate bill, clarifies the provision requiring that students and parents not be charged a fee for applying for Federal student financial assistance.

The Senate recedes with an amendment requiring the development of separate, identifiable loan application documents for Part B of Title IV that applicants shall submit directly to eligible lenders.

Contracts

The House amendment, but not the Senate bill, deletes "to the extent practicable" in directing the Secretary to enter into contracts for processing student aid forms and adds the word "official" in describing eligibility reports.

The House recedes.

Management information system

The House amendment, but not the Senate bill, authorizes the Secretary to contract for additional data gathering services to assist the Department of Education in developing a Management Information System.

The House recedes.

Reporting requirement

The House amendment, but not the Senate bill, requires the Secretary to forward copies of all forms and regulations to the House and Senate committees at least 45 days prior to their effective date.

The Senate recedes.

Toll-free information

The House amendment, but not the Senate bill, requires the Secretary to establish and publicize a toll-free telephone to provide timely and accurate information to the general public, including specific instruction on completing applications for assistance under Title IV.

The Senate recedes.

Federal student aid report

The House amendment, but not the Senate bill, requires the Secretary to develop a Federal Student Assistance Report, which will be completed by institutions of higher education and delivered to all student aid recipients. The form will indicate amounts of Federal student aid the student received.

The Senate recedes.

Eligibility

The House amendment, but not the Senate bill, requires that a student must be enrolled in a degree, certificate or other program leading to a recognized educational credential to be eligible to receive Federal student assistance. The Senate bill requires that a student be making satisfactory progress toward a degree or certificate.

The Senate recedes.

Less-than-half-time students

The House bill repeals the current law requirement that a student must be carrying at least a half-time course load to be eligible for Federal student aid in all of the need-based Title IV programs except for the Guaranteed Student Loan program, thereby providing eligibility for less-than-half-time students.

The Senate recedes with an amendment providing that less-than-half-time students will be eligible for Pell Grants beginning in FY

1989 and that only those less-than-half-time students with an expected family contribution of $0 will be eligible in FY 1989 and FY 1990. The Senate amendment further provides that in FY 1991 only those less-than-half-time students with an expected family contribution of between $0 and $200 will be eligible for the Pell Grants. In addition, the Senate amendment provides that if insufficient appropriations require the reduction of awards pursuant to Section 411(g) in FY 1989, less-than-half-time students will not be eligible for Pell Grants in that year. Further, it is the intent of the conferees that prior to less-than-half-time students becoming eligible for Pell Grants that the Secretary shall conduct and report to the Congress the results of a study to determine the number of less-than-half-time students with a $0 expected family contribution and the number of students in the $0–$200 expected family contribution category.

Students in default

Both the House amendment and the Senate bill prohibit students who are default under the Guaranteed Student Loan program from receiving any form of Federal assistance while they remain in default. In addition, the House amendment provides the same prohibition for students in default on a NDSL or owing any refund on any Federal grant program.

The Senate recedes.

Eligibility

The House amendment, but not the Senate bill, codifies into law the current regulations with respect to citizenship or other permanent status that is a prerequisite for eligibility for student assistance and provides eligibility to those who have a certificate of graduation from a school providing secondary education in the United States.

The Senate recedes with an amendment deleting eligibility for those who have a certificate of graduation from a school providing secondary education in the United States and providing for a study of the incidence of students who have graduated from high schools in the United States and who are ineligible for Federal student assistance because of their legal status and the impact of their ineligibility on their educational opportunities. The study shall also estimate the cost of providing federal student financial aid to such individuals and, to the extent practicable, the tax status of their parents or guardians. The study will be conducted by a panel consisting of two Members of the House of Representatives appointed by the Speaker, two Members of the Senate appointed by the President Pro Tempore and three persons appointed by the Secretary of Education. Staff and other resources for the study will be provided by the Department of Education and the panel's report to the Congress and the Secretary will be due two years after the date of enactment of this act. In addition, the conferees direct the Secretary of Education to provide information to the Congress on the extent to which Title IV student aid funds are being provided to students who are not citizens or nationals of the United States and are not eligible non-citizens. The Senate amendment further provides that the Title IV program participation agreement will require each institution of higher education to certify that it has in operation a drug abuse prevention program that is determined by the institution to be accessible to any officer, employee, or student at the institution. The conferees wish to emphasize that this requirement should not be construed to direct or permit the Secretary of Education to promulgate any rules or regulations relating to the content or conduct of the drug abuse prevention program.

Less-than-half-time students

The Senate bill allows a less-than-half-time student to be eligible for the SEOG, CWS and NDSL programs only if the institution has already met the need of full-time students eligible for aid from those programs while the House amendment allows less-than-half-time students to be eligible for these programs without this limitation.

The Senate recedes.

Satisfactory progress

The Senate bill, but not the House amendment, requires that students must be making satisfactory progress as determined by the institution and must maintain a C average at the end of the second academic year or its equivalent or academic standing consistent with the requirements for graduation as determined by the institution. A waiver by the institution in circumstances of undue hardship is provided and the Secretary of Education is required to conduct a study of the impact of this provision on student grades.

The House recedes with an amendment providing that students can reestablish their eligibility by attaining academic standing consistent with the institution's requirements for graduation.

Verification

The Senate bill, but not the House amendment, requires all institutions to certify student eligibility for a Guaranteed Student Loan if the loan is sent to the institution, disbursement of the loan is not made until a review for the accuracy of the information on the application is completed and the institution has evidence that the information submitted by the applicant is incorrect.

The House recedes with an amendment limiting to not more than 30% of the applicants in any award year the number of applicants for whom institutions are required to verify the accuracy of data used to determine their eligibility for any program under this title.

Statute of limitations

The Senate bill, but not the House amendment, reflects the changes made in the statute of limitations made by the Consolidated Omnibus Budget Reconciliation Act.

The House recedes.

Information

The House amendment, but not the Senate bill, requires that institutions provide student aid information to less-than-full-time students.

The Senate recedes.

Exit counseling

The Senate bill, but not the House amendment, requires exit counseling of student loan borrowers which provides general information on the average indebtedness of students, the average anticipated monthly repayments and the available repayment options.

The House recedes with an amendment requiring that such counseling must be made available to students and that it can be provided either to individuals or groups of students.

Debt burden information

The House amendment, but not the Senate bill, requires the Secretary to make available to institutions and lenders information on debt burdens and total and monthly repayment obligations that students may incur as a result of borrowing under the GSL and NDSL programs.

The Senate recedes.

Combined repayment

The Senate bill, but not the House amendment, provides for the combined repayment of loans under subpart 1 of part C of title VII of the Public Health Service Act with loans consolidated under section 428C (consolidation loans).

The House recedes with technical and clarifying amendments.

Student loan data bank

The Senate bill, but not the House amendment, creates a National Student Loan Data Bank. The Secretary is authorized to establish and carry out a nationwide computerized student loan data bank containing information regarding loans made, insured or guaranteed under the GSL or NDSL programs. Access to information in the bank shall be restricted to individuals and Federal agencies specifically authorized by the Secretary to have such access and may be used only for research, improvement of Federal debt collection practices and furnishing information in response to an official request made by a committee of the Congress. The Secretary must prepare and submit a report to Congress twice a year on the results obtained by the establishment and operation of the data bank.

The House recedes with an amendment changing the name to the National Student Loan Data System and clarifying that information with respect to the NDSL program will be supplied by institutions of higher education.

Federal employees

The Senate bill, but not the House amendment, requires Federal agency head to collect in monthly installments by deduction from an employee's pay account any indebtedness on Federal student loans which such employee is in default on.

The Senate recedes.

Withholding

The Senate bill, but not the House amendment, requires that Federal agency heads reduce any Federal payments to individuals who have defaulted on Federal student loans by 25% until the default is paid.

The Senate recedes.

Financial aid training

The House amendment extends Training in Financial Aid and Student Support Services through FY 1991, while the Senate bill extends it through FY 1986.

The House recedes.

Maintenance of effort

The House amendment, but not the Senate bill, repeals the maintenance of effort provision for institutions participating in the SEOG and CWS programs.

The Senate recedes.

Conforming amendments

The House amendment, but not the Senate bill, contains a conforming amendment prohibiting charges for the Federal Student Assistance Report form and modifying the certification requirements for the Guaranteed Student Loan program.

The Senate recedes.

Advertisements

The Senate bill, but not the House amendment, requires that institutions which use advertisements citing job placement rates must publish in their catalogs actual employment statistics, graduation statistics and any other information necessary to substantiate the truthfulness of the advertisements.

The House recedes with an amendment requiring that this information be made available at or before the time of application and deleting the requirement that the information be published in the institution's catalog.

Criteria for recovery of funds

The House amendment, but not the Senate bill, requires that only those funds expended not in substantial compliance with the law may be recovered from an institution following a final audit determination.

The House recedes.

Due process standards for recovery of funds

The House amendment, but not the Senate bill, requires that final audit determinations will only be made following written notice and the opportunity for a hearing on the record and that the burden of proof will be on the Secretary and that all parties will have discovery procedures available to them.

The Senate recedes with an amendment deleting the provisions relating to discovery and burden of proof.

Grant eligibility

The Senate bill, but not the House amendment, requires that institutions inform all borrowers under the Guaranteed Student

Loan program of the availability of and their eligibility for State grant assistance.

The House recedes with an amendment providing that institutions need only inform borrowers about the availability of and their eligibility for State grant assistance with respect to the State in which the institution is located and will inform borrowers about how to obtain such information concerning assistance from other States.

Data collection

The House amendment, but not the Senate bill, requires the Secretary to collect data on student aid recipients at least once every three years.

The Senate recedes with an amendment allowing the Department of Education to collect the appropriate data.

Commission

The House amendment, but not the Senate bill, provides for the establishment in the executive branch of an independent agency called the National Commission on Family Responsibilities for Financing Postsecondary Education. $1.5 million is authorized for the Commission which will terminate two years after the initial appointment of its members.

The Senate recedes with an amendment removing the word "family" from the name of the Commission, reducing the authorization to $1 million and adding students to the membership of the Commission.

Repeal of Student Financial Assistance Technical Amendments

The House amendment, but not the Senate bill, repeals the Student Financial Assistance Technical Amendments Act of 1982.

The Senate recedes with an amendment extending the appropriate provisions to the Act to provide for a transition to the implementation of the provisions of this act.

Administration offset

The Senate bill, but not the House amendment, amends the U.S. Code to allow Federal agencies to use administrative offset at any time to collect on a claim against any individual. Agency heads are directed to establish standards for the exercise of such offsets which take into account the likelihood of collecting by offset and the cost effectiveness of carrying a claim beyond 6 years.

The Senate recedes.

TITLE V—EDUCATOR RECRUITMENT, RETENTION, AND DEVELOPMENT

TITLE

The House amendment, but not the Senate bill, revises and rewrites Title V of HEA, and provides a new Heading for the Title.

The Senate recedes.

COORDINATION OF EDUCATION PROFESSIONAL DEVELOPMENT

The Senate bill, but not the House amendment, repeals Part D of Title V.

The House recedes.

STATEMENT OF PURPOSE

The House amendment, but not the Senate bill, provides a new Statement of Purpose for title V.

The Senate recedes with an amendment to include references to pre-school and Early Childhood Education and Development.

AUTHORIZATION OF APPROPRIATIONS

The House amendment, but not the Senate bill, provides for the authorization of appropriations under Sec. 502 for Parts A, B, C, D, and E for FY 1987, and then such sums through FY 1991. The House amendment included authorizations for four programs in existing law, and seven (7) new initiatives under title V, as follows:

(a) The House amendment, but not the Senate bill, authorizes a new Part A, Subpart 1, titled "Enhancing Teacher Education" funding it at $10 million in FY 1987, and then such sums through FY 1991.

The House recedes.

The House amendment, but not the Senate bill, authorizes a new Subpart 2 to Part A, titled "Midcareer Teacher Training for Nontraditional Students", authorizing it at $4 million in FY 1987, and then such sums through FY 1991.

The Senate recedes with an amendment to reduce the funding level to $3.5 million FY 1987, and then such sums through FY 1991.

(b) The House amendment, but not the Senate bill, authorizes a new Subpart 1 in Part B, titled "University-High School Partnerships", funding it at $20 million in FY 1987, and then such sums through FY 1991.

The Senate recedes with an amendment to reduce the funding level to $15 million in FY 1987, and then such sums through FY 1991.

The House amendment, but not the Senate bill, authorizes a new program under Subpart 2 in Part B, titled "Teacher Academies", funding it at $7.5 million in FY 1987, and then such sums through FY 1991.

The House recedes.

(c) The House amendment, but not the Senate bill, authorizes a new Subpart 1 in Part C, titled "Professional Development Resource Centers", funding it at $20 million in FY 1987, and then such sums through FY 1991.

The Senate recedes with an amendment to reduce the funding level to $15 million in FY 1987, and then such sums through FY 1991.

The House amendment, but not the Senate bill, transfers the Leadership in Educational Administration and Development (LEAD) from title IX of P.L. 98-558 (Human Services) to Title V, funding it at $20 million in FY 1987, and then such sums through FY 1991.

The Senate recedes with an amendment to reduce the funding level to $10 million in FY 1987, and then such sums through FY 1991.

(d) The House amendment, but not the Senate bill, continues the program in current law (Part C of title V), titled "Training Teachers of the Handicapped", as Subpart 1 of Part D, funding it at $5 million in FY 1987, and then such sums through FY 1991.

The Senate bill repeals the program. The House recedes.

(e) The House amendment authorizes the Perkins Scholarship Program (and renames it the Congressional Teacher Scholarship Program, and funds it at $20 million in FY 1987, and then such sums through FY 1991.

The Senate bill authorizes the Perkins Scholarship Program at $10.5 million in FY 1987; $11.05 million in FY 1988; $11.57 million in FY 1989; $12.15 million in FY 1990; and $12.76 million in FY 1991.

The Senate recedes with an amendment to fund the program at $13.5 million in FY 1987, and then such sums through FY 1991.

(f) The House amendment continues the Talented Teacher Fellowship Program as Subpart 3 of Part D, funding it at $2 million in FY 1987, and then such sums through FY 1991.

The Senate bill authorizes the program at $5.25 million in FY 1987; $5.513 million in FY 1988; $5.788 million in FY 1989; $6.080 million in FY 1990; and $6.38 million in FY 1991.

The Senate recedes to the House provisions.

(g) The House amendment, but not the Senate bill, authorizes appropriations for new Part E, Subpart 1, titled "Research and Data Collection", at $2 million in FY 1987, and then such sums through FY 1991. The House recedes with an amendment to authorize additional research and data collection activities through the Office of Education Research and Improvement.

The House amendment, but not the Senate bill, authorizes a new program under Subpart 2 of Part E, requiring the mandatory establishment of State Teacher Task Forces to assess need for teachers in elementary and secondary schools (projections on supply/demand by geographic and subject matter shortage areas). The House amendment would fund the program at $1 million in FY 1987, and then such sums through FY 1991.

The Senate recedes with an amendment, retaining the mandate requiring establishment of state task forces, but providing a waiver. The waiver from the requirement is achieved under this section when the State Education Agency submits documentary evidence, as determined by the State, to the Secretary, showing voluntary compliance.

The Conference substitute agreement on Title V is as follows:

[In millions of dollars]

	Fiscal years	
	1987	1989-91
Part A. Midcareer teacher training	3.5	(¹)
Part B. University-high school partnerships	15.0	(¹)
Part C:		
Subpart 1, professional development resource centers	15.0	(¹)
Subpart 2, leadership in educational administration and development	10.0	(¹)
Part D:		
Subpart 1, congressional teacher scholarships	13.5	(¹)
Subpart 2, Christa McAuliffe fellowships	2.0	(¹)
Part E. Establishment of State task forces for assessment planning	1.0	(¹)

¹ Such sums.

EXCELLENCE TEACHER EDUCATION PROGRAMS

The House amendment, but not the Senate bill, rewrites Title V of the Higher Education Act, consisting of four (4) existing programs, and seven (7) new initiatives for Educator Recruitment, Retention and Development purposes.

(a) In the House amendment, but not the Senate bill, Subpart 1 of Part A, titled "Enhancing the Quality of Teacher Education Programs", authorizes discretionary grants to institutions of higher education for programs designed and implemented jointly with elementary and secondary schools to improve teacher education.

The House recedes.

(b) In the House amendment, but not the Senate bill, Subpart 2 of Part A titled "Midcareer Teacher Training for Nontraditional Students", is a demonstration program authorizing grants to higher education institutions to encourage the development of teacher training for individuals from other occupations. Two year planning grants are first awarded; successful projects are then eligible for two-year renewal grants to continue the projects. The Secretary, after competition, will select one institution from each of the ten (10) federal regions. Model programs resulting from this demonstration will be disseminated to other IHE's for replication at state and local expense.

The Senate recedes.

SCHOOL, COLLEGE, AND UNIVERSITY PARTNERSHIPS

In the House amendment, Subpart 1 of Part B authorizes the "University-High School Partnership Program", for grants to establish cooperative programs between colleges and local high schools serving predominantly low-income students, which encourages students to graduate from high school, to prepare them for better employment prospects, and to encourage such students to pursue postsecondary training. Grants may range from $250,000 to $1 million, and must be used for year-round projects (65% is earmarked for school year projects; 35% is earmarked for summer months). These projects are intended to encourage involvement of the private sector; priorities are established. The Senate has no comparable provision.

The Senate recedes.

COMMUNITY COLLEGE PILOT PROJECTS

Section 525 of Part B, Subpart 1 in the House amendment, establishes a Pilot Project at four (4) Community Colleges: Wayne County Community College (Michigan); The Community College of Vermont; Compton Community College in California; and the Metropolitan Community College in Missouri. Minimum grant size is $250,000. The Senate bill has no comparable provision.

The Senate recedes.

TEACHING ACADEMIES

In the House amendment, Subpart 2 of Part B is titled "Teaching Academies", and would establish teacher academy demonstration projects. Grants would be available to consortia of schools of education and LEA's to establish and operate such academies to provide one-year internships for entry-level teachers. The Senate bill has no comparable provision.

The House recedes.

PROFESSIONAL DEVELOPMENT RESOURCE CENTERS (PDRC'S)

(a) In the House amendment, Subpart 1 of Part C establishes Professional Development Resource Centers to be funded through competitive grants to LEA's, consortia and higher education institutions (10 percent of funds appropriated are reserved for higher education institutions). Grants would be used to develop and operate such Centers aimed at improving elementary and secondary school teachers' skills. The Senate bill has no comparable provisions.

The Senate recedes with an amendment to strike the words "help retain effective teachers in the profession by providing them with collegial interaction and support and opportunities for professional growth" in Sec. 531(B)(6).

The Managers note that such efforts to retain effective teachers will remain as a permissible activity within the scope of programs offered by Professional Development Resource Centers.

The Senate receded with an amendment also striking Sec. 535(b), Priorities and Preferences, and to strike the words "satisfactory assurances that teachers will be given adequate paid leave time away from classroom activities to participate in Center activities", contained in Sec. 535(c)(6), Minimum Requirements.

It is not the intent of conferees to prohibit local education agencies, with teacher contracts or other collective bargaining agreements in effect from allowing teachers to receive paid leave time away from classroom activities, or to prohibit teachers to be paid for leave time in order to participate in Center activities.

The House amendment provides that the grants made to LEA's for the establishment and operation of Professional Development Resource Centers will cover 100 percent of the costs of such establishment.

The Senate recedes with an amendment requiring a 50 percent state and local matching requirement, so that in order to receive a grant under this part for the establishment of Professional Development Resource Centers, an applicant must provide assurances that the monies received will be matched by 50 percent. Of the non-federal share, 50 percent of the dollar match must come from State Education Agency sources, and 50 percent from local sources. This match must be on a dollar-for-dollar basis, with no provision for in-kind credit on the state or local level.

(b) In the House amendment, Subpart 2 of Part C continues the authorization of the Leadership in Education Administration Development (LEAD) as authorized in P.L. 98-558, but transfers the program to title V of the Higher Education Act. The Senate bill has no comparable provision.

The Senate recedes with an amendment to repeal existing law under Title IX of P.L. 98-558, the Human Services Reauthorization Act of 1984.

CONTRACTING AUTHORITY

The House amendment, but not the Senate bill, amends Section (b). Duration of Contract under the LEAD program, by inserting the words "subject to the availability of appropriations" at the end of the first sentence.

The Senate recedes.

TEACHER SCHOLARSHIPS AND FELLOWSHIPS

The House amendment, under Subpart 1 of Part D continues a program which trains elementary and secondary teachers of handicapped children (Part C of current law). The Senate bill repeals this program.

The House recedes.

RENAMING THE PERKINS' SCHOLARSHIP PROGRAM

The House amendment, but not the Senate bill, changes the name of the Carl D. Perkins Scholarship Program to the "Congressional Teacher Scholarship Program".

The Senate recedes.

CHANGES IN REPAYMENT PROVISIONS

The House amendment amends the Perkins Scholarship Program by striking the restriction in current law that permits recipients of such scholarships, who choose to teach in private schools, to repay their obligation only if they taught in private nonprofit schools located and serving students in a district eligible for assistance pursuant to Chapter 1 of ECIA.

The Senate recedes with an amendment providing that the teaching obligation, in lieu of repayment of a Perkins Scholarship, may be achieved by a individual's teaching in a private nonprofit, tax exempt elementary or secondary school in a shortage area, as defined by the Secretary of Education in consultation with the Chief State School Officer and appropriate representative of the Private school sector.

"Area" is defined to be both geographic, taking into account the needs of both state and local education agencies, as well as subject, taking into account shortages of teachers within a particular subject matter, a discipline, or by grade level. In further defining shortage areas, the Secretary is required to give special consideration to granting teachers repayment opportunities in areas where there are increasing trends towards the use of emergency certification of individuals in order to fill classroom vacancies, and in instances where states having "early-out" retirement incentives are creating shortages of classroom teachers.

RENAMING THE TALENTED TEACHER FELLOWSHIPS FOR CHRISTA MC AULIFFE

The Senate bill, but not the House amendment, renames the National Talented Teacher Fellowship Program for Mrs. Christa McAuliffe, who was to have been the first citizen in space. Selected from among thousands of her peers to fly into space on the NASA space shuttle The Challenger, Mrs. McAuliffe was killed along with six other astronauts when the Challenger exploded only 73 seconds into launch from Cape Canaveral, Florida, on January 28, 1986.

The House recedes.

The House had passed separate legislation (H.R. 4143 on April 9, 1986) renaming the program for Mrs. McAuliffe.

RESEARCH, DATA COLLECTION, ASSESSMENT, AND PLANNING

In Subpart 1 of Part E of the House amendment, research and data collection on the current and projected supply and demand for teachers in pre-school, elementary and secondary schools, by subject area and teaching specialty, is required. The Senate bill has no comparable provisions.

The Senate recedes with an amendment, striking the authorization of appropriations of $2 million for this Subpart, and transfers the research and data collection component to the Office of Education Research and Improvement. The House recedes with an amendment directing the OERI to complete these data collection activities.

MANDATORY ESTABLISHMENT OF STATE TASK FORCES FOR ASSESSMENT AND PLANNING

Subpart 2 of Part E of the House amendment, but not the Senate bill, mandates the establishment of a State Task Force on Teacher Training in every state, for the purposes of conducting assessments of state and local need for recruiting, retaining and improving the performance of instructional and administrative personnel in elementary and secondary schools within each State, and to develop state plans for meeting those needs.

Under the mandate, if states do not comply, no eligible entity within those states may apply for or receive a grant under any program authorized under title V.

The Senate recedes with an amendment which retains the mandate, but permits the Secretary to waive the requirement if states submit evidence that they are implementing programs to attain the same objectives by other means.

The Secretary is permitted to give special consideration to applications for grants from states who are meeting the mandate without Federal assistance. The amendment is not intended to penalize states who, in the absence of Federal appropriations, cannot afford to establish a Task Force, and the Conference committee intends that the waiver will be an incentive for those states to seek other sources of funding so that they will be in compliance with the mandate.

REAUTHORIZATION OF THE TAFT INSTITUTE

The House amendment authorizes the Robert Taft Institute for five fiscal years, from FY 1987 to FY 1991, at a funding level of $1 million in FY 1987, and then such sums. The Senate bill authorizes the Institute for two years, at a funding level of $750,000 for FY 1987 and FY 1988.

The House recedes.

TEACHER WARRANTY STANDARDS

The House amendment, but not the Senate bill, provides authority for the Secretary of Education to develop and publish, in the Federal Register, Teacher Warranty Standards.

The House recedes.

TITLE VI

LANGUAGE AND AREA CENTERS

(a) The general description of activities to be funded under language and area centers is identical in the House amendment and the Senate bill with the exception that the Senate bill gives added emphasis to foreign language research and training.

The House recedes.

(b) The House amendment retains the title "Graduate and Undergraduate Language Area Centers." The Senate bill renames this section "Language and Area Centers."

The House recedes.

(c) The House amendment uses the phrase "graduate and undergraduate"; the Senate bill substitutes "comprehensive" for this phrase.

The House recedes.

(d) The Senate bill and the House amendment establish a two-tiered fellowship program, with the second tier awarded on the basis of a national competition. The Senate bill grants eligibility to students attending comprehensive centers. The House amendment grants eligibility to students attending all Sec. 602 centers.

The Senate recedes.

(e) The House amendment states recipients "shall be" certain individuals; the Senate bill states they "must be".

The Senate recedes with an amendment clarifying that students can be engaged in a program developing competency-based foreign language training since competency-based training is not yet available in all foreign languages.

(f) The Senate bill, but not the House amendment, requires the use of a nationally referenced test only if such a test is available.

The House recedes with a technical amendment.

(g) Both the Senate bill and the House amendment establish a two-tiered fellowship program, with the second tier awarded on the basis of a national competition. The House amendment, but not the Senate bill, requires that the first tier be funded at 1985 levels before funding the newly authorized second tier.

The Senate recedes.

(b) The Senate bill, but not the House amendment, allows funds provided under this part to be used for travel which is part of a formal program of supervised study in accordance with rules prescribed by the Secretary.

The Senate recedes.

(c) The House amendment retains existing law authorizing both undergraduate and graduate (comprehensive) centers together, but the House bill amendment requires (under Sec. 603) that separate criteria for undergraduate and graduate centers be established for the purpose of evaluating and awarding grants. The Senate bill separates the graduate and undergraduate centers by establishing two separate parts under Sec. 602. The language for each of these parts is virtually identical, with the exception that undergraduate centers are also authorized by the Senate bill to acquire foreign periodicals with funds.

The Senate recedes with an amendment providing detailed descriptions of the terms "comprehensive" and "undergraduate".

LANGUAGE RESOURCE CENTERS

(a) The House amendment uses the title "Language Resource Centers." The Senate bill uses "Foreign Language Resource Centers."

The House recedes.

(b) Both the Senate bill, and the House amendment both authorize new language resource centers. The Senate bill, but not the House amendment, permits the Secretary to enter into contracts with institutions, as well as make grants, for this purpose. The Senate bill, but not the House amendment, refers to the resource centers as language training centers.

The House recedes.

(c) Both the House amendment and the Senate bill include the development and application of proficiency testing as an allowable center activity, but the Senate bill, and not the House amendment, indicates that such testing should be appropriate to an educational setting and uses the word "comparable" in describing the type of measurement of skill level.

The House recedes.

(d) The Senate bill speaks of widespread dissemination; the House amendment says simply dissemination.

The House recedes.

INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS

(a) The House amendment retains the title "Undergraduate International Studies and Foreign Language Programs"; the Senate bill renames the section "International Studies and Foreign Language Programs."

The Senate recedes.

(b) The House amendment and the Senate bill continue undergraduate international studies and foreign language programs. The

House amendment strikes the term "comprehensive" in a single instance while the Senate bill strikes the term throughout the section.

The House recedes.

(c) The House amendment, but not the Senate bill, grants eligibility to public and private non-profit organizations only if the proposed activity or project cannot be conducted by an eligible postsecondary education institution.

The House recedes.

(d) The House amendment, but not the Senate bill, includes as an eligible activity under this program model programs designed to improve and expand foreign language studies. Grants to institutions for these model programs would be based on a percentage of student enrollment in foreign languages at institutions, along with certain foreign language requirements.

The Senate recedes.

SUMMER INSTITUTES

(a) The House amendment uses the title "Intensive Summer Language Institutes". The Senate bill uses the title "Summer Institutes for Foreign Languages".

The Senate recedes.

(b) Both the House amendment and the Senate bill authorize new summer language training institutes. Both indicate that grants made under this section may be used for intensive training in critical and neglected languages. The Senate bill, but not the House amendment, further states that grants may be used to pay stipends for students and faculty attending the institutes authorized by this section.

The House recedes with an amendment clarifying that eligible institutes can combine the purposes described in (b) and (c).

(c) The House amendment, but not the Senate bill, identifies improving the language skills of beginning or intermediate college and secondary school students and faculty as another primary goal of summer institutes.

The House recedes.

(d) The Senate bill requires that grants shall be made on the basis of recommendations made by peer review panels composed of broadly representative professionals. The House amendment requires peer review panels to be composed of representatives of institutions of higher education.

The House recedes.

RESEARCH

(a) The Senate bill, but not the House amendment, renames the section.

The Senate recedes.

(b) The Senate bill, but not the House amendment includes a new category of research on the application of proficiency tests in all disciplines.

The House recedes.

PERIODICALS

The House amendment, but not the Senate bill, establishes a separate section with a separate authorization of $1 million for the acquisition of foreign periodicals.

The Senate recedes.

SELECTION OF GRANT RECIPIENTS

(a) The House amendment, but not the Senate bill, renames this section.

The Senate recedes.

(b) Both the House amendment and the Senate bill require that to the extent practicable, the Secretary shall award Title VI grants in such a way as to ensure an equitable distribution of assistance throughout the nation, based on peer review. However, the House amendment exempts all Sec. 602 grants from the distribution requirement, while the Senate bill exempts only Sec. 602(a) grants comprehensive center grants.

The Senate recedes.

The Conferees have established separate criteria for comprehensive and undergraduate institutions for the selection of grants provided under Sec. 602. The Conferees find that Graduate Area Centers historically have served as the centerpiece of this title, and through their expertise have made significant contributions to the national interest. The purpose of establishing separate criteria is to allow undergraduate centers to be funded on the basis of equally rigorous but differing judgments of quality. Separate criteria will permit the Department of Education to assess more appropriately the relative strengths of undergraduate programs, which, by virtue of their commitments to language and area studies, merit recognition as national resources. The Conferees deem it necessary to emphasize that the creation of separate criteria should not be construed as an intention to shift the focus of this legislation away from its central purpose of sustaining and deepening the Nation's capacity for advanced training and expertise in foreign languages and international studies through support principally for comprehensive centers. Therefore, the Conferees expect that the amount of support provided in Fiscal Year 1986 to comprehensive and undergraduate centers shall remain at approximately the same ratio in subsequent years. The Conferees also caution the Department that the establishment of separate criteria should not be implemented in such a manner as to create an additional avenue of competition for comprehensive centers that are unable to compete successfully as comprehensive centers.

In addition, the Conference requires the Secretary to "set criteria for grants awarded under Sec. 602 by which a determination of excellence shall be made to meet the differing objectives of comprehensive and undergraduate institutions." The Conferees intend for the Department to utilize the general criteria to be used in the grant award process. The Department should not construe the mandate to set criteria to meet the differing objectives of comprehensive and undergraduate centers institutions as a requirement to develop new criteria for comprehensive centers if the current criteria is adequate.

BUSINESS AND INTERNATIONAL EDUCATION

The House amendment includes, as an eligible activity, study abroad to be combined with an internship in international business. The Senate bill contains no similar provision.

The Senate recedes with an amendment reducing the scope of this program. In establishing internships abroad as one of the eligible activities under this Part, the Conferees intend to enhance foreign language ability in the languages of those countries in which there is a great amount of international business activity with the United States or in those countries with which we wish to promote new avenues of business, but for which there is a shortage of persons proficient in those languages.

ENDOWMENT FOR INTERNATIONAL STUDIES

The Senate bill, but not the House amendment, authorizes a new section, a study of the National Endowment for International Studies, to assess weaknesses and strengths in international education and foreign language studies in our nation at all levels and to determine the feasibility and structure of an endowment.

The House recedes.

The mandated study anticipates that the existing and ongoing studies conducted by various higher education and professional associations will be used as a component of the Departmental recommendations.

AUTHORIZATION OF APPROPRIATIONS

The Authorizations for Title VI, Part A (excluding Sec. 607) follow:

[In millions of dollars]

Fiscal year	Senate bill	House Amendment	Conference Agreement
1987	35,000,000	70,000,000	49,000,000
1988	36,750,000	([1])	([1])
1989	38,587,500	([1])	([1])
1990	40,567,875	([1])	([1])
1991	42,775,312	([1])	([1])

[1] Such sums.

The Authorizations for Sec. 607, Part A follow:

[In millions of dollars]

Fiscal year	Senate bill	House Amendment	Conference Agreement
1987	0	1,000,000	1,000,000
1988	0	([1])	([1])
1989	0	([1])	([1])
1990	0	([1])	([1])
1991	0	([1])	([1])

[1] Such sums.

The Authorizations for Title VI, Part B follow:

[In millions of dollars]

Fiscal year	Senate bill	House Amendment	Conference Agreement
1987	2,200	$7	$5
1988	2,310,400	([1])	([1])
1989	2,425,600	([1])	([1])
1990	2,546,900	([1])	([1])
1991	2,674,250	([1])	([1])

[1] Such sums.

TITLE VII—CONSTRUCTION, RECONSTRUCTION AND RENOVATION OF ACADEMIC FACILITIES

GENERAL PURPOSES

(a) The House amendment, but not the Senate bill, amends the general purposes to allow funds to be used to "maintain" special research and instructional equipment.

The Senate recedes.

(b) In the general statement of purposes of Title VII the House amendment, but not the Senate bill, rewords the purpose related to energy usage.

The Senate recedes.

(c) The House amendment, but not the Senate bill also adds four new general purposes for the uses of resources provided by Title VII. These are to comply with Federal and state requirements for the disposal, treatment and storage of hazardous wastes, to provide facilities for advanced skill training programs that relate to emerging technologies and skill needs, to enable institutions to deal with unusual enrollment increases or significant internal programmatic enrollment shifts, and to preserve significant architecture.

The Senate recedes.

PRIORITY

The House amendment, but not the Senate bill, provides for priority in making grants to renovation projects.

The Senate recedes.

AUTHORIZATIONS

The House amendment provides that no funds may be appropriated for Parts A and B for any fiscal year unless at least 20 million is appropriated for the College Construction Loan Insurance Association.

The Senate recedes.

The Senate bill and the House amendment provide the following authorizations for Part A, grants for undergraduate facilities.

Fiscal year	House bill	Senate bill
1987	$50,000,000	$5,000,000
1988	([1])	5,525,000

Fiscal year	House bill	Senate bill
1989	(1)	6,076,250
1990	(1)	6,655,063
1991	(1)	7,262,816

[1] Such sums.

The Senate bill and the House amendment provide the following authorizations for Part B, grants for graduate facilities:

Fiscal year	House bill	Senate bill
1987	$50,000,000	$5,000,000
1988	(1)	5,575,000
1989	(1)	6,076,250
1990	(1)	6,655,063
1991	(1)	7,262,816

[1] Such sums.

The authorizations for Part C, loans for academic facilities, are as follows:

Fiscal year	House bill	Senate bill
1987	$50,000,000	$18,795,000
1988	(1)	19,734,475
1989	(1)	20,721,488
1990	(1)	21,757,562
1991	(1)	22,845,440

[1] Such sums.

The authorizations for annual interest grants (Part D of Title VII of the House amendment and Section 734 of the Senate bill and current law) are as follows:

Fiscal year	House bill	Senate bill
1987	(1)	$24,675,000
1988	(1)	25,908,750
1989	(1)	27,204,188
1990	(1)	28,564,397
1991	(1)	29,992,617

[1] Such sums.

The College Construction Loan Insurance Association (Part E of Title VII of the House amendment and Part F of Title VII of the Senate bill) has a total authorization of $11 million in the Senate bill and $50 million for FY 1987 and each of the four succeeding fiscal years in the House amendment.

The conference substitute provides for the following authorizations for FY1987:

Part A $15,000,000
Part B $10,000,000
Part C $25,000,000
Part D $25,000,000
Part E $20,000,000

MAINTENANCE

Of the portion of a Part A grant that is to be used for instructional or research equipment and providing a suitable environment for such equipment the House amendment, but not the Senate bill, allows up to 15% to be used to maintain such equipment and environment. These funds may also be used for upgrading the equipment and environment for a period of three years after the date of initial use.

The Senate recedes with an amendment modifying the percentage to 10%, including instrumentation and requiring that the recipient deem any upgrading to be essential to the continued utility of the research or instructional instrumentation and equipment.

PEER REVIEW

The House amendment, but not the Senate bill, adds a new requirement that the Secretary use a "national peer review panel" to make recommendations to the Secretary in awarding Part B grants. The panel is to make its recommendations to the Secretary based on their assessment of the effectiveness of the program in the proposed use of Federal assistance and the extent to which the grant will assist in overcoming deficiencies in existing equipment and facilities.

The Senate recedes with an amendment requiring that the peer review panel be broadly representative of all types and classes of higher education institutions.

CONTENTS OF APPLICATION

The House amendment, but not the Senate bill, specifies the contents of an application for a Part B grant to include a description of the basic research programs of the applicant, an indication of the ability of the applicant to make effective use of the funds, a description of the applicant's advanced training programs, an assessment of the applicant's past and projected contributions to the growth of knowledge, and such other information as the Secretary deems necessary to carry out the purposes of the program.

The House recedes.

INSTITUTIONAL SHARE

The House amendment, but not the Senate bill, provides that the institution's share of the cost of a facility for which a Part B grant is received may not be derived from another Federal program.

The Senate recedes.

MAINTENANCE

Of the portion of a Part B grant that is to be used for instructional or research equipment and providing a suitable environment for such equipment the House amendment, but not the Senate bill, allows up to 15% to be used to maintain such equipment and environment. These funds may also be used for upgrading the equipment and environment for a period of three years after the date of initial use.

The Senate recedes with an amendment modifying the percentage to 10%, including instrumentation and requiring that the recipient deem any upgrading to be essential to the continued utility of the research or instructional instrumentation and equipment.

LOAN TERMS

The House amendment, but not the Senate bill, changes the current law requirement for Part C so that loans bear an interest rate determined annually which shall not be more than one quarter percent above the average annual interest on U.S. securities for the preceding year or 5.5%, whichever is less.

The Senate recedes.

MAINTENANCE

Of the portion of a Part C loan that is to be used for instructional and research equipment and providing a suitable environment for such equipment, the House amendment, but not the Senate bill, permits the use of up to 15% to maintain such equipment and environment. These funds may be used for upgrading the equipment and environment for a period of three years after the date of initial use.

The Senate recedes with an amendment modifying the percentage to 10%, including instrumentation and requiring that the recipient deem any upgrading to be essential to the continued utility of the research or instructional instrumentation and equipment.

ALLOWABLE DISCOUNTS

(a) The House amendment, but not the Senate bill, requires the Secretary of Education to consult with the Secretary of the Treasury in determining the appropriate discount that may be offered as an inducement to early repayment.

(b) The House amendment provides that the discounted price which may be offered on a Part C loan "shall be the present value of the scheduled future payments on the loan discounted by using, as an imputed interest rate, the current market yields on outstanding marketable obligations of the United States having comparable maturities."

(c) The Senate amendment provides that the discounted price which may be offered on a Part C loan shall be determined by "taking into account the yield on outstanding marketable obligations of the United States having maturities comparable to the remaining term of such loan, if (A) the repayment is made from non-Federal sources, (B) the Secretary has received satisfactory assurances that the housing or other educational facilities financed with the loan will continue to be used for purposes related to the original term of the loan and (C) the repayment is made prior to October 1, 1991."

The conference substitute provides that both with respect to Part C and the College Housing Loan program the Secretary shall compute the discount which may be offered to a borrower as an inducement to early repayment in an amount determined by the Secretary to be in the best financial interests of the Government, taking into account the yield on outstanding marketable obligations of the United States having maturities comparable to the remaining term of such loan. If the Secretary offers a discount as an inducement to early repayment, such offer shall be available without regard to whether the borrower is delinquent or in default on the loan on October 1, 1986, but the Secretary shall refuse to make such offer to a borrower that becomes delinquent or goes into default after that date. The discount offered shall apply to the entire amount outstanding on the loan (including any amount owed with respect to payments that are overdue). It is the intent of the conferees that the Department of Education consider all loans on which there is outstanding principal as eligible to participate in the discounting programs and that all institutions with outstanding principal due on loans granted from the Department of Education have the first option to purchase their loans from the Department at the discounted rate. It is the very strong view of the conferees that institutions participating regardless of present status (in default or with workout agreements with the Department) do not have to come current on the outstanding amounts owed to the Department in order to participate in the discounting program.

INTEREST GRANTS

The House amendment, but not the Senate bill, establishes the existing program of Annual Interest Grants as a separate Part D of Title VII.

The Senate recedes.

REPEAL OF ACADEMIC FACILITIES LOAN INSURANCE

The House amendment, but not the Senate bill, repeals the Academic Facilities Loan Insurance Program.

The Senate recedes.

ESTABLISHMENT OF COLLEGE CONSTRUCTION LOAN INSURANCE ASSOCIATION

(a) Both the House amendment and the Senate bill create a new College Construction Loan Insurance Association (the Corporation) as a part of Title VII. It is Part E of Title VII in the House amendment and Part F of Title VII in the Senate bill.

The Senate recedes.

(b) The Senate bill allows guarantees to be used for an educational facilities purpose. The House amendment allows guarantees to be used substantially for an educational facilities purpose. The House recedes with an amendment modifying the definition of an education facilities purpose to include activities related to the payment of financing or transaction costs.

(c) The House amendment permits the Corporation to issue letters of credit and undertake obligations and commitments "for the purpose of increasing the availability of funds for educational facilities and equipment." The Senate bill limits the use of these instruments only for "an educational facilities purpose."

The House recedes.

(d) The Senate bill, but not the House amendment, provides that "no action under section 1491 of Title 28, United States Code (commonly known as the Tucker Act) shall be allowable against the United States based on the actions of the Corporation."

The House recedes.

(e) The Senate bill, but not the House amendment, provides that the business activities of the Corporation shall always be limited to education facilities purposes.

The House recedes.

(f) The Senate bill, but not the House amendment, requires that all of the borrowings and any property acquired by the Corporation shall be used for educational facilities purposes which do not qualify under usual business practices because the educational institutions cannot obtain financing, loan guarantees or loan insurance on reasonable terms. The House recedes with an amendment providing that the corporation shall be permitted to reinsure bonds for facilities purposes with the following restrictions: during the first full year of the corporation's operation, not less than 10% of the aggregate dollar amount of bond issues for which the reinsurance is provided shall be on behalf of institutions which meet the financial criteria indicated below. During the second full year of the corporation's operation, not less than 30% of the aggregate dollar amount of the bond issues for which reinsurance is provided shall be on behalf of institutions which meet the financial criteria. During the third full year of the corporation's operation, and during each year thereafter, not less than 50% of the aggregate dollar amount of the bond issues for which the reinsurance is provided shall be on behalf of institutions which meet the financial criteria. Bond issues which are both insured and reinsured by the corporation may not be counted toward the fulfillment of these requirements. The corporation shall be permitted to directly guarantee and insure bonds, loans, debentures, notes, evidences of debt, leases of personal, real or mixed property, and issue letters of credit only on behalf of institutions which meet the financial criteria. During the first full year of the corporation's operation, not less than 10% of the aggregate dollar amount of the total obligations undertaken by the corporation in that year shall consist of these direct guarantee and insurance activities. During the second full year of the corporation's operation, not less than 30% of the aggregate dollar amount of the total obligations undertaken by the corporation in that year shall consist of these direct guarantee and insurance activities. During the third full year of the corporation's operation, and during each year thereafter, not less than 50% of the aggregate dollar amount of total obligations undertaken by the corporation in that year shall consist of these direct guarantee and insurance activities. The financial criteria for determining which institutions qualify for the Corporation's services in accordance with the above requirements are as follows: is that the institution of higher education or the proposed educational facility project at such institution must be listed by a nationally recognized statistical rating organization at any rating below the third highest rating of such nationally recognized statistical rating organization. The conferees intend that in order for an institution of higher education or a proposed educational facility project at an institution to be eligible for any of the Corporation's reinsurance and direct insurance and guarantee services, the institution or project must have a financial rating from a nationally recognized statistical rating organization. While the conferees realize that a limited number of institutions which have not acquired such a rating will have to do so in order to be eligible for the Corporation's services, the conferees also recognize that the use of such ratings is the only proven way for the Corporation to objectively assess the relative financial strengths of different institutions. The Corporation shall demonstrate and provide evidence of the fulfillment of the percentage requirements described in the reinsurance and the direct guarantee and insurance sections as part of the annual report of the Corporation's operations and activities submitted to Congress and the President. The Corporation shall make a good faith effort to publicize the availability of its reinsurance and direct insurance and guarantee activities and make such information available to institutions of higher education throughout the nation. The conferees expect there to be enough demand for the Corporation's services to enable it to comply with the annual requirements and limitation placed on its reinsurance and direct insurance and guarantee services. However, the conferees understand that during certain calendar years and under certain circumstances, it may be impossible for the corporation to meet the percentage requirements because there is a demonstrated lack of demand for the corporation's reinsurance or direct insurance and guarantee activities. Under such circumstances, the corporation must, as part of its annual report to Congress and the President, provide assurances that there was a good faith effort to publicize its services and demonstrate and provide evidence that its failure to meet these percentage requirements was solely the result of a lack of demand.

(g) In the Senate bill, but not the House amendment, incorporators of the Corporation are also required to establish uniform criteria to implement these requirements. The Senate recedes. Because the Corporation will use objective financial criteria to determine which institutions are eligible for its services, this requirement is no longer necessary.

(h) The Senate bill, but not the House amendment, states that the Corporation may not serve the educational facilities needs of any institution which discriminates on the basis of race, color, religion, national origin, sex or handicapping condition. Institutions are required to certify to the Corporation that they do not discriminate on any of these bases. The House recedes with an amendment providing that with respect to "religion" this prohibition shall not apply to an educational institution which is controlled by or which is closely identified with the tenets of a particular religious organization if the application of this provision would not be consistent with the religious tenets of such an organization.

INCORPORATION OF ASSOCIATION

The Senate bill, but not the House amendment, requires that if the Secretary of Education or the Secretary of the Treasury fail to appoint incorporators within the time specified, the Student Loan Marketing Association can only name those incorporators after consultation with the Senate Committee on Labor and Human Resources and the House Committee on Education and Labor.

The House recedes with an amendment providing that the failure of the Secretary of Education or the Secretary of the Treasury to make any one or more appointments to the board of the corporation shall not affect or diminish the right and power of the other directors who have been appointed or elected to assume and carry out their duties as directors and the board as constituted to act for all purposes as the full board of the corporation.

CAPITAL

The House amendment provides that the capital of the corporation raised through the sale of voting common stock in the first six months may not exceed $30 million, while the Senate bill establishes this limit at $14 million.

The House amendment provides that the capital of the corporation raised in each of the four years following the initial six month period through the sale of voting common stock may not exceed $35 million per year. The Senate bill establishes this limit at $41 million per year.

The House amendment but not the Senate bill, states that such shares shall be issued and sold to the Secretary and SLMA in the ratio of 1:1.

The House amendment permits the Secretary of Education to purchase up to $25 million in voting common stock of the Corporation during each of its first five years in existence, subject to the availability of appropriations. The Senate bill limits these annual purchases to not more than $11 million.

The House amendment authorizes the Corporation to offer for subscription and purchase voting common stock in years one through five. The Senate bill so provides for years two through five.

The Senate recedes with an amendment providing that the Secretary of Education is authorized and directed to subscribe to and purchase, in each of the 3 years following the incorporation of the corporation, voting common stock of the corporation having an aggregate purchase price of not more than $30 million; that the Student Loan Marketing Association is authorized to subscribe to and purchase during the 3 years following the incorporation of the corporation voting common stock of the corporation having an aggregate purchase price of $35 million; that the corporation is authorized to offer for subscription and purchase to the general public during the 3 years following the incorporation of the corporation, voting common stock having an aggregate purchase price of $100 million; and that not less than 40% of such stock shall be set aside for purchase by institutions of higher education prior to being offered to the general public.

FEDERAL GUARANTEE

The Senate bill, but not the House amendment provides that "no obligation which is insured, guaranteed or otherwise backed by the Corporation, shall be deemed to be an obligation which is guaranteed by the full faith and credit of the United States." The House amendment provides that "no obligation which is insured, guaranteed or otherwise backed by the Corporation, shall be deemed to be an obligation which is Federally guaranteed within the meaning of section 103(h) of the Internal Revenue Code of 1954, as amended." The House amendment also provides that "the priority established in favor of the United States by section 3466 of the Revised Statutes (31 U.S.C. 191) shall not establish a priority over the indebtedness of the Corporation."

The House recedes with an amendment providing that no obligation which is insured, guaranteed, or otherwise backed by the corporation, shall be deemed to be an obligation which is guaranteed by the full faith and credit of the United States; that no obligation which is insured, guaranteed, or otherwise backed by the corporation, shall be deemed to be an obligation which is guaranteed by the Student Loan Marketing Association; and that these provisions shall not affect the determination of whether such obligation is guaranteed for purposes of Federal income taxes.

EXEMPTION FROM INSURANCE LAWS

The House amendment, but not the Senate bill, exempts the Corporation and its activities from insurance laws and qualification laws of any state, territory, possession, commonwealth, dependency of the United States, and of the District of Columbia until the Student Loan Marketing Association acquires all of the voting common stock of the Corporation owned by the Secretary of Education.

The House recedes.

SALE OF SECRETARY'S STOCK

(a) The Senate bill, but not the House amendment, provides that if the Secretary of Education decides to sell his stock in the Corporation, he must advise the Senate Committee on Labor and Human Resources and the House Education and Labor Committee in writing of his plans thirty days prior to the sale. The House recedes.

(b) The Senate bill, but not the House amendment, provides that the sale price of the Corporation stock held by the Secretary of Education shall in no event be less than the original issuance price.

The House recedes.

TERMINATION OF OWNERSHIP

The House amendment, but not the Senate bill, provides that Section 757 becomes ineffective if SLMA acquires all the voting common stock owned by the Secretary.

The House recedes.

USE OF SALE PROCEEDS

The House amendment provides that the proceeds of the sale of the Corporation's stock held by the Secretary of Education will be paid into a fund administered by the Corporation on behalf of the Secretary for the purpose of providing guarantees and insurance to institutions of higher education which do not qualify for the Corporation's programs because of their inability to comply with its financial criteria. The Senate bill provides that these proceeds will be deposited in the general fund of the Treasury.

The House recedes.

COLLEGE HOUSING

(a) The House amendment and the Senate bill incorporate with modifications, the existing college Housing Loan program into Title VII. The Senate bill makes this program Part D of Title VII, while the House amendment makes it Part F of Title VII.

The Senate recedes.

(b) The Senate bill provides that College Housing Loans will bear an interest rate determined by "the Secretary of the Treasury which shall not be more than the average current yield on outstanding obligations of the United States of comparable maturities in the month preceding the month in which the contract for such loan is made." The House amendment provides that the interest rate on these loans will be determined by the Secretary of Education and will be "not more than the lesser of (A) 5.5 percent per annum, or (B) the total of one-quarter of 1 percent per annum added to the rate of interest paid by the Secretary on funds obtained from the Secretary of the Treasury" for the program.

The Senate recedes.

(c) The House amendment specifies a repayment period of not exceeding fifty years; the Senate bill specifies a period of not exceeding forty years.

The Senate recedes.

(d) The Senate bill, but not the House amendment, provides that borrowings by the Secretary of Education from the Secretary of the Treasury for the program after the effective date of this reauthorization "shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the average current yield on outstanding obligations of the United States of comparable maturities in the month preceding the month in which the contract for such loan is made."

The House recedes.

(e) The Senate bill, but not the House amendment provides that no College Housing loan application may be made for ten years after the date on which an undergraduate postsecondary educational institution received a loan under this program.

The House recedes with a clarifying amendment.

WELCH HALL

The House amendment, but not the Senate bill, authorizes $1 million for the renovation and restoration of Welch Hall at Eastern Michigan University.

The Senate recedes.

ACADEMIC HEALTH EDUCATION CENTER

The House amendment, but not the Senate bill, authorizes $1.5 million for up to 50% of the cost of construction of an Academic Health Education Center facility at the Rochester Institute of Technology.

The Senate recedes.

ESTEY HALL

The House amendment, but not the Senate bill, authorizes $500,000 for the renovation and restoration of Estey Hall at Shaw University in Raleigh, North Carolina.
The Senate recedes.

ELECTRONIC NETWORK

The House amendment, but not the Senate bill, authorizes $1 million to provide assistance to a four-year postsecondary institution in cooperation with school districts, for the purpose of renovating, constructing, and equipping a facility incorporating such technological advances as two-way interactive video communications to extend an existing electronic instructional network for providing college and advanced level courses to talented and gifted secondary school students.
The Senate recedes.

MAINTENANCE

The House amendment, but not the Senate bill, provides a definition of the term "maintenance" for purposes of Title VII.
The Senate recedes.

REPEAL

The House amendment, but not the Senate bill, repeals the College Housing loan program in the Housing Act of 1950.
The Senate recedes.

[illegible]

The conference substitute provides that the Secretary shall provide financial assistance to the Bethune-Cookman College in Volusia County in Florida. The assistance made available shall be used for the construction of the Mary McLeod Bethune Fine Arts Center Building and for the acquisition of related equipment and real property. There are authorized to be appropriated $[illegible] million to carry out this provision.
The Senate recedes with an amendment authorizing $[illegible] million to pay the costs of a Behavioral Science Facility at the University of Connecticut, Storrs, Connecticut, and $500,000 to help establish a doctoral degree program in Business Administration at the University of Rhode Island, Kingston, Rhode Island.

TITLE VIII—COOPERATIVE EDUCATION

AUTHORIZATION OF APPROPRIATIONS

(a) The Senate bill authorizes:
FY 1987, $[illegible]
FY 1988, $[illegible]
FY 1989, $[illegible]
FY 1990, $[illegible]
FY 1991, $[illegible]

(b) Requires that not less than 75% of appropriations be used for section 802;

(c) Limits appropriations to not more than 12½% of appropriations the amounts available for demonstration grants under section 803;

(d) Limits to not more than 10% of appropriations the amount available for training and resource centers under section 803; and

(e) Limits to not more than 2½% the amount of appropriations available for research under section 803.

The House amendment authorizes

(a) $15,000,000 for institutional grants under section 802 and $6,000,000 for demonstration, training, and research grants under section 803, for FY 1987; and

(b) such sums as may be necessary for each of the four succeeding fiscal years.

The House recedes.

LIMITATION

The House amendment, but not the Senate bill, limits appropriations for section 802 to not more than 80% of the total.

The House recedes.

MAXIMUM GRANT

The Senate bill limits the maximum award under section 802 to combinations of institutions to the product of $500,000 times the number of institutions participating in the combination, while the House amendment limits the maximum award to such institutions to $500,000.

The Senate recedes.

INSTITUTION-WIDE PROGRAMS

The House amendment, but not the Senate bill, authorizes the Secretary to make grants, on a competitive basis, from not less than 20% of the funds appropriated under section 802, to higher education institutions which provide institution-wide cooperative education programs for their students and make major commitments of their own resources to those programs.

The House recedes.

2-YEAR PROGRAMS

The Senate bill, but not the House amendment, requires that cooperative education programs at institutions offering 2-year programs that are acceptable for full credit toward a bachelor's degree, be made available to students who are certificate candidates and who are carrying at least ½ the normal full-time academic workload.

The House recedes.

[illegible]

(a) The Senate bill, but not the House amendment, limits the duration of grants to individual units of higher education institutions as well as individual institutions.

The Senate recedes.

(b) The Senate bill, but not the House amendment, specifies that the 5-year limitation shall apply whether the grant was received before or after the enactment of the Cooperative Education Act of [illegible].

The House recedes.

FEDERAL SHARE

The Senate bill provides that the Federal share may not exceed [illegible] for the first year, [illegible] for the second year, [illegible] for the third year, [illegible] for the fourth year and [illegible] for the fifth year. The House amendment provides that the Federal share may not exceed [illegible], [illegible], [illegible], [illegible] and [illegible] respectively.

The House recedes.

[illegible]

The Senate bill and the House amendment limit the duration of grants to five years but the Senate bill allows an institution to apply for additional grant if the institution—

(1) has received a grant for five years;

(2) conducts a cooperative education program for at least two academic years without Federal assistance and expends for each such year an amount at least equal to the total cost of the program in the last year in which the institution received assistance; and

(3) provides assurance in its application on the number of students enrolled in the program, the number of [illegible] placements, and the [illegible] of the students enrolled in the program for each such year.

The House amendment requires an institution to maintain a cooperative education program for at least [illegible] years without Federal assistance at a level at least equal to the amount expended on the program in the last year in which it received assistance before its eligibility can be reinstated. The House bill does not require the submission of assurance.

The House recedes.

[illegible]

The Senate bill, but not the House amendment, requires special consideration be given to applications which have a favorable response from private and public employers.

The House recedes.

SPECIAL CONSIDERATION

The Senate bill, but not the House amendment, requires the Secretary to give special consideration to applications which demonstrate

strate the institution's commitment to extending cooperative education on an institution-wide basis.

The House recedes.

SPECIAL POPULATIONS

The House amendment, but not the Senate bill, requires the Secretary to give special consideration to institutions serving special populations.

The Senate recedes.

NEW RECIPIENTS

The House amendment, but not the Senate bill, requires that the number of awards to newly participating institutions shall be no fewer than the number of institutions becoming ineligible after receiving awards for five years.

The House recedes.

PARTNERSHIPS AND COMPREHENSIVE PROGRAMS

The Senate bill, but not the House amendment, authorizes the Secretary to enter into contracts for conducting training and resource centers designed to support partnerships between a comprehensive cooperative education institution and another institution to assist such other institution in developing and expanding an existing cooperative education program or to establish comprehensive cooperative education programs.

The House recedes.

SECTION 804

The House amendment, but not the Senate bill, contains a section 804 that requires the Secretary to make competitive grants from not less than 20% of the appropriations for section 802, to institutions, which are not receiving Federal assistance but which are carrying out comprehensive cooperative education programs. Fifty percent of each grant must be used by the institutions to assist other institutions in developing or expanding their existing cooperative education programs.

The House recedes.

TITLE IX

Minority participation

The House amendment amends Part A of Title IX to become "Grants to Institutions to Encourage Minority Participation in Graduate Education."

The Senate recedes with a amendment deleting Subpart 2 and maintaining the basic parameters of the House language with respect to Subpart 1. The amendment ensures that existing Title IX programs will receive adequate funding before appropriations are made for the new initiative.

In addition the amendment renames the G*POP program the Patricia Roberts Harris Fellowship program and increases stipends to $10,000.

The Conferees intend that the new Subpart 1 program will be implemented by institutions principally through the provision of summer research internships, augmented by seminars and related educational activities.

Minimum grant

The Senate bill repeals the requirement in Fellowships for Graduate and Professional Study that grants to single institutions cannot be less than $75,000 while the House amendment requires that the minimum grant not be less than $100,000.

The House recedes.

Application evaluation

The House amendment, but not the Senate bill, requires the Secretary in evaluating applications for Graduate and Professional Fellowships to assess the extent to which: applicants previously receiving grants under Title IX B achieved the objectives of the previous grants; and the applicant has demonstrated high quality in its academic program.

The House recedes. The Conferees expect that the Secretary, in evaluating grant applications, will assess the extent to which applicants can document an effective commitment to minority graduate and professional education and the extent to which applicants which previously received grants under this part achieved the specified objectives for students previously supported under this program.

Mining fellowship

The House amendment, but not the Senate bill, eliminates grants for mining fellowships.

The Senate recedes.

Award amounts

The Senate bill requires that the minimum amount that may be paid to any institution for any student may not be less than $4,200, while the House amendment requires that the Secretary pay amounts to institutions for students equal to amounts paid by the National Science Foundation and other similar agencies.

The Senate recedes.

Individual award

The House amendment, but not the Senate bill, allows maximum graduate and professional fellowship award of $10,000. The Senate bill limits awards to $7,000.

The Senate recedes.

Jacob J. Javits fellows

The Senate bill, but not the House amendment, amends the National Graduate Fellows Program to refer to recipients as "Jacob J. Javits Fellows."

The House recedes with an amendment.

Fellowship board

The Senate bill, but not the House amendment, requires that the members of the Fellowship Board:

(a) be appointed by the Secretary instead of the President;

(b) be reduced to 13 individuals between July 31, 1987 and August 1, 1989, 11 individuals between August 1, 1989 and August 1, 1991, and 9 individuals thereafter;

(c) have experience in doctoral education in the arts, humanities, and social studies;

(d) establish general policies for the program;

(e) establish general criteria for distribution of fellowships;

(f) appoint panels of academic scholars with distinguished backgrounds in the arts, humanities, and social sciences;

(g) prepare and submit to Congress a report at least once every 3 years on modifications in the program.

The House recedes.

The Conferees wish to highlight the expectation that the Secretary will assure appointees to the Board are well respected scholars with broad experience in education at the doctoral level. The conference agreement modifies the responsibilities of the Board to focus on the development of general policies and not specific information. Although the Conference agreement reduces the size of the Board from fifteen to nine members, the intent of the change is not to alter the tenure of current members of the Board.

Term of office

The Senate bill, but not the House amendment, limits terms of office to 4 years.

The House recedes.

Selection criteria

The Senate bill, but not the House amendment, deletes the requirement that the number of recipients each year in each field not exceed the number allocated to that field by the Fellowship Board.

The Senate recedes.

Effective date

The Senate bill, but not the House amendment, makes reconstitution of the Board effective with appointments to fill vacancies.

The House recedes.

Stipends

The House amendment, but not the Senate bill, requires that fellowships provide a level of support comparable to other graduate fellowship programs in the science and engineering fields. The Secretary is also required to pay $6,000 to institutions for each fellowship recipient at the institution.

The Senate recedes.

The Conferees intend that stipends shall be adjusted so as not to exceed a fellow's demonstrated level of need, based on measurements of need that reflect the financial circumstances of doctoral students and the purpose of the program to encourage highly talented students to undertake graduate study. Institutions should feel free to supplement stipends for teaching or research activities required as conditions for receipt of a doctoral degree.

Graduate assistance in areas of national need

The House amendment, but not the Senate bill, creates a program for Graduate Assistance in Areas of National Need," which provides a fellowship program through departments and programs of higher education institutions to assist graduate students in areas of national need. Awards are also made to institutions for improving the quality of their academic programs.

The Senate recedes with an amendment requiring that all grant monies received by an institution under this part be used for support of fellowship stipends and cost of education payments in lieu of tuition and fees.

The Conferees are concerned that many eligible students may leave the universities in which they are enrolled in order to find the resources necessary for their dissertation research. Certain non-degree granting institutions, such as museums, cooperating with graduate schools, provide a large portion of the research resources and instruction received by these students. In recognition of this fact, the Conferees provide that students at those non-degree granting institutions can compete for fellowships. Conferees intend that students at non-degree granting institutions should not receive preference over students at degree granting institutions.

Preference

The House bill, but not the Senate bill, amends the Law School Clinical Experience Programs to include a preference for programs providing legal experience in the preparation and trial of actual cases, including administrative cases and the settlement of cases outside the courtroom.

The Senate recedes.

AUTHORIZATIONS

The authorizations for Subpart 1 of Grants to Institutions to Encourage Minority Education are as follows:

[illegible]

Fiscal year	[illegible]	[illegible]	[illegible]
1987	[illegible]	[illegible]	[illegible]
1988	[illegible]	[illegible]	[illegible]
1989	[illegible]	[illegible]	[illegible]
1990	[illegible]	[illegible]	[illegible]
1991	[illegible]	[illegible]	[illegible]

[illegible]

The authorizations for Subpart 2 of Grants to Institutions to Encourage Minority Education are as follows:

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

The authorizations for Fellowships for Graduate and Professional Study are as follows:

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

The authorizations for National Graduate Fellows Program are as follows:

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

The authorizations for Graduate Assistance in Areas of National Need are as follows:

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

The authorizations for Assistance for Training in the Legal Profession are as follows:

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

The authorizations for Law School Clinical Experience are as follows:

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TITLE X

National board appointment

(a) The House amendment, but not the Senate bill, changes the appointment of the FIPSE Board by the Secretary to appointment by the President with the advice and consent of the Senate and the President also designates the Chairman of the Board.

The House recedes.

(b) The House amendment, but not the Senate bill, makes conforming changes in terms and appointments with the change to Presidential appointment of the Board.

The House recedes.

Priorities

The House amendment, but not the Senate bill, provides that the FIPSE Board will establish the priorities for making annual awards.

The House recedes.

Scope

The House amendment, but not the Senate bill, expands the functions of the Board to include advising the Secretary and the Director on the priorities for improving postsecondary education.

The Senate recedes.

Secretary's authority

The House amendment, but not the Senate bill, prohibits the Secretary from setting or modifying the Board's priorities.

The House recedes.

Authorizations

The authorizations for FIPSE are as follows:

Fiscal year	House amendment	Senate bill	Conference agreement
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(1)	[illegible]	(1)
[illegible]	(1)	[illegible]	(1)
[illegible]	(1)	[illegible]	(1)
[illegible]	(1)	[illegible]	(1)

(1) Such sums.

MISIP

Both the House amendment and the Senate bill reauthorize the Minority Institutions Science Improvement Program (MISIP) for fiscal years 1987 through 1991.

The House amendment, but not the Senate bill, delineates the authority of the Minority Institutions Science Improvement Program.

The Senate recedes.

Minority support

The House amendment, but not the Senate bill, delineates the authority for the Minority Support in Science and Engineering Programs.

The Senate recedes.

Special service project

The House amendment, but not the Senate bill, delineates the authority for the Special Service Projects Programs.

The Senate recedes.

Authorizations

(a) The authorizations for MISIP are as follows:

Fiscal year	House bill	Senate bill	Conference agreement
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	(1)	[illegible]	(1)
[illegible]	(1)	[illegible]	(1)
[illegible]	(1)	[illegible]	(1)
[illegible]	(1)	[illegible]	(1)

(1) Such sums.

(b) The House amendment, but not the Senate bill, also specifies that 50% of the funds appropriated under this part will be used for the Minority Science Improvement Program, 33.33% will be used for the Minority Support in Science and Engineering Programs and 16.67% for the Special Service Projects Program.

The Senate recedes.

Transfer

The House amendment, but not the Senate bill, repeals the establishment of the Bureau of Occupational and Adult Education and the Community College Unit.

The Senate recedes.

Community services

The Senate bill, but not the House amendment, adds a new Part B to Title X which establishes a demonstration grant program to institutions of higher education and other public agencies and nonprofit organizations "to support innovative projects in order to determine the feasibility of encouraging student participation in community service projects in exchange for educational services or financial assistance and thereby reduce the debt acquired by students."

The House recedes.

The conferees are concerned about the growing indebtedness of students attending postsecondary institutions, and the impact of this debt burden on future career choices. In addition, the Carnegie Foundation study released in 1985 documents the decline in the number of students volunteering for community activities because of the competing pressures of work and study. Funds awarded under this part will assist higher education institutions address these concerns and develop innovative alternatives for students.

Community college unit

The Senate bill, but not the House amendment, amends the Department of Education Organization Act to establish a Community College Unit in the Office of Postsecondary Education and to designate that it have a Director who is a GS-17.

The Senate recedes.

Applications

The Senate bill, but not the House amendment, requires that all applications must be approved by the FIPSE Board.

The House recedes.

Authorizations

The Senate bill, but not the House amendment, authorizes the following appropriations for Part B:

(a)

		[illegible]
Fiscal year:		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

[illegible]

(b) No funds may be appropriated in any fiscal year for this Part unless funds are appropriated for Part A.

The House recedes with an amendment including Part B as well as Part A in the funding priority.

TITLE XI

Repeal

The Senate bill repeals Title XI of the Higher Education Act while the House amendment amends the current Urban Grant University Program and creates a new Part B, the Higher Education and Economic Development Program, which encourages the participation of postsecondary education institutions in activities which further economic growth and productivity.

The Senate recedes with an amendment modifying and clarifying the provisions of both parts.

Authorizations

The House amendment, but not the Senate bill, authorizes [illegible] million for FY 1987 and such sums for each of the succeeding fiscal years to be divided equally between Part A and Part B.

The Senate recedes with an amendment making the split [illegible] to part B and [illegible] to part A with an authorization of [illegible] million for FY 1987 and such sums for each of the four succeeding fiscal years.

Wagner Institute of Urban Public Policy

The House amendment includes a Part C of Title XI which authorizes [illegible] million to provide assistance to City University of New York to establish the Wagner Institute of Urban Public Policy to coordinate resources for the development of solutions to pressing urban and social problems.

The Senate recedes.

TITLE XII

Territories

The House amendment, not the Senate bill, requires the Secretary to promulgate regulations in accordance with the recommendations in the report titled "Postsecondary Education in the U.S. Territories" (May 1985) in order to adapt programs to the needs of Guam, the Virgin Islands, American Samoa, the Trust Territories of the Pacific Islands, and the Northern Mariana Islands, within six months after the date of enactment of the reauthorization Act.

The Senate recedes.

Disclosure of foreign gifts

(1) The Senate bill establishes a floor of [illegible], after which the disclosure of gifts must be made. The House amendment also establishes a floor of [illegible] except when conditions have been applied to the use of the gift, in which case the floor is lowered to [illegible]. The House recedes.

(2) The House amendment refers to receipt of gifts within a fiscal year; the Senate bill within a calendar year. The House recedes.

(3) The Senate bill requires disclosure by January 31 or July 31 (whichever is sooner). The House amendment requires disclosure within [illegible] days of receipt of a gift.

The House recedes.

(4) The House amendment, but not the Senate bill, requires the identity of an individual giving the gift to be included in the report when conditions as to use are present.

The House recedes.

(5) The Senate bill allows disclosure of an aggregate amount when more than one gift has been received from one country, except when conditions are present, in which case each gift of $100,000 or more must be reported separately. The House amendment has no comparable provision.

The House recedes.

(6) The Senate bill requires States and/or enforcing agencies with which reports are filed (exempting institutions from filing directly with the Secretary) to file with the Secretary.

The House amendment requires this only of States.

The House recedes.

The conferees wish to note that as of the enactment of this act several States have enacted legislation requiring the disclosure of foreign gifts. It is the intention of the conferees that institutions reporting to such States shall be viewed as having complied with the Federal requirement "substantially similar" to the requirements of this act and that they therefore need not file directly with the Secretary.

(7) The House amendment treats a "nonresident alien" as a foreign source. The Senate bill applies this term to any individual who is not a "citizen" or "national" of the U.S.

The House recedes.

(8) The House amendment uses the term "grant" whereas the Senate bill refers to "gift".

The House recedes.

(9) The Senate bill, but not the House amendment, streamlines the definition of "restricted gift", noting such instances constituting a category to which restrictions would apply.

The House recedes.

(10) The Senate bill sunsets the entire provision in August 1985. The House amendment has no comparable provision.

The House recedes.

National Accreditation Committee

The Senate bill extends the National Advisory Committee on Accreditation and Institutional Eligibility through 1985. The House amendment extends it through 1985.

The House recedes.

Recognition process study

The Senate bill, but not the House amendment, establishes a Joint Study Commission on Postsecondary Institutional Recognition to conduct a study of the institutional and programmatic recognition process used by the Department of Education to determine the institutional or programmatic eligibility for student participation in Federal student assistance programs. $1,000,000 is authorized for this study.

The House recedes with clarifying amendments.

Foreign students

The House amendment, but not the Senate bill, affirms the rights of institutions of higher education in assessing the financial responsibility of foreign students.

The Senate recedes.

Cost of higher education

The House amendment requires the Secretary of Education to establish a National Task Force on the Cost of Higher Education and to report to the Congress within two years.

The House recedes with an amendment to place it in Title [illegible].

REENACTMENT OF TITLES

The amendments made by this Act are, in large measure, accomplished by amending entire titles or parts of the Higher Education Act of 1965, "to read as follows". While this, in effect, constitutes a reenactment of those titles, the managers do not intend such reenactment to be construed as a legislative affirmation of existing [illegible]. In addition, these amendments in [illegible] titles are [illegible] and other headings. These headings are provided for the convenience of the reader and are not intended by the managers to alter the meaning of any provision to which they apply.

Sexually transmitted diseases

The House amendment, but not the Senate bill, requires the Secretary of HHS to conduct a study of sexually transmitted diseases among college students.

The House recedes.

MISCELLANEOUS PROVISIONS

Peace Institute

The Senate bill, but not the House amendment, extends authorization for the United States Institute of Peace for FY 1987 and FY 1988 and permits funds appropriated to remain available until expended.

The House recedes.

Carl Albert Center

The Senate bill, but not the House amendment, provides that the $5 million appropriated for the Carl Albert Congressional Research and Studies Center need not be matched on a dollar for dollar basis as provided in the statute authorizing the Center.

The House recedes with a clarifying amendment.

[illegible]

The Senate bill, but not the House amendment, expresses the sense of the Senate that the [illegible] should immediately [illegible] a portion of the [illegible] the [illegible] provide for a [illegible] in the District of Columbia.

The Senate recedes.

[illegible]

The Senate bill, but not the House amendment, provides that the [illegible]

The Senate recedes.

Authorization cap

[illegible]

According to the Congressional Budget Office (CBO), [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Both the House amendment and the Senate bill [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Board is assigned functions to govern the Institute and itself, and compensation for Board members is set. For so long as any Institute employees are covered by Civil Service, Board decisions on personnel issues must be submitted to the Secretary of the Interior, who may disapprove the decision for just cause.

(d) The Senate provision is basically similar, with the following differences: (1) the Board would be composed of 18 members, appointed by the President; (2) all Board members must be Native Americans; (3) the numbers of Indian and Congressional representatives, and their makeup is different; (4) there is no provision for the Presidents of the Institute or Student Orgs. to serve ex officio; (5) there is no requirement for publication.

(e) The Senate bill contains no similar provisions on unserved vacancies, removal, meetings, or review of Board decisions by the Secretary of the Interior. The Senate bill stipulates that the term of a Congressional member of the Board shall terminate at the end of the member's Congressional term, and that Congressional members shall not vote on issues. The Senate bill stipulates that the President will appoint the initial officers.

The House recedes with an amendment limiting the number of members of the Board, stipulating required consultation for successors to the post, limiting removal of Board Members, stipulating compensation, and requiring review of Board decisions by the Secretary of the Interior (for the first two years).

105. EXECUTIVE BOARD

The House bill establishes a 5 member Executive Board of the Board of Trustees to assist in governance of the Institute; there is no similar Senate provision.

The Senate recedes.

106. POWERS

The House bill enumerates the powers of the Board. The Senate bill vests the powers in the Institute. Both provisions are basically similar, with the Senate bill adding the authority to acquire insurance.

The Senate recedes with an amendment retaining the authority to obtain insurance.

107. PRESIDENT

Both bills provide for a President of the Institute, who shall be the chief executive Officer. Compensation cannot exceed the rate of GS-15.

In the Senate bill: (a) compensation could not exceed the rate of GS-18; and (b) the President is given general authority over appointment, duties and compensation for all employees.

Such employees would not be Civil Service, though Federal provisions with respect to Labor-Management relations and Workman's Compensation would apply.

The House recedes with an amendment deleting the Senate's provisions giving the President of the Institute powers over staff.

106. STAFF

The House bill, but not the Senate, has a detailed section on the staff of the Institute, stipulating that while they would not be Civil Service, compensation should be set at a rate comparable with the General Schedule. The President of the Institute would have 6 months to establish policies and procedures governing personnel matters. Discharge and conditions of employment must provide for rapid and equitable dispute resolution and hearing. There is provision for Native American preference in hiring and a right to an appeal to the Board. Current Civil Service employees have a protected right to transfer, or can elect to remain under the new system. Provision is made for the protection or retirement of annual or sick leave. Employees will still be covered by Civil Service Retirement.

The Senate recedes with an amendment to retain the Senate provisions on Workman's Compensation and Employee Bargaining, and to amend the House language relating to the process for dismissal.

107. CENTER BOARD

The Senate bill, but not the House bill, includes specific Departments on the Board, but does not limit the Board to only them.

The House recedes.

108. PREFERENCE

The Senate bill sets out Native American preference in admissions and enrollment, employment, contracts, fellowships and grants. No similar House provision.

The House recedes.

109. TAX STATUS

The Senate bill states that the Institute and its property are tax exempt of all taxes, regardless of taxing authority. No similar House provision.

House recedes.

110. TRANSFERS

The House and Senate provisions are basically the same, with the following exceptions—the House bill, but not the Senate bill, transfers real property and assets, states that the determination of the matters to be transferred should not be based upon the administrative entity in control of them prior to the transfer, and establishes a 2 year transfer period, to ease the transition; additionally, the House provision states that existing laws and regulations, which are applicable shall remain in effect, while the Senate bill states that only those laws and regulations which are appropriate and not inconsistent with the provisions of this title shall remain in effect.

House recedes with an amendment clarifying that no museum real property is transferred and retaining the two-year transition period to full Board control.

111. BUDGET

The House bill, but not the Senate provision, requires the Secretary of the Interior to submit the budget proposal of the Institute for the first 2 years, after which the Board shall submit a direct budget proposal. The House bill also states that the Congress should not consider private fundraising in determining appropriations levels.

Senate recedes.

112. COMPLIANCE

The Senate bill specifically lists a number of laws which shall apply to the Institute. There is no similar House provision.

House recedes.

113. ENDOWMENTS

The House bill authorizes an endowment program of matching grants. For this purpose, the Secretary of the Interior is to make available not more than $500,000. No similar Senate provision.

Senate recedes.

114. NATIVE HAWAIIANS

The Senate bill, but not the House provision, includes Native Hawaiians in the definition of Native American and includes a separate definition of Native Hawaiian.

House recedes with an amendment designating the Institute for Indians as Part A and designating Part B as a separate program for Native Hawaiian studies.

115. AUTHORIZATIONS

The House bill authorizes such sums as may be necessary. The Senate bill authorizes $4 million for each fiscal year.

Senate recedes with an amendment stipulating $4 M for the Indian Institute under Part A and $1 M for the Native Hawaiian program under Part B for FY 1987, and for each succeeding FY, such sums as may be necessary thereafter.

In enacting the Native Hawaiian provision the conferees were pleased to support the efforts of the indigenous peoples of Hawaii to preserve their art and cultural history. The Bishop Museum is to be commended for taking the lead in this important endeavor and the conferees intend that the newly authorized Native Hawaiian program will be located at the Bishop Museum, Honolulu, Hawaii. The conferees further direct that there shall be established by the Governor of Hawaii a formal Board of Trustees for the program which shall be chaired by the chairman of the Office of Hawaiian Affairs, and with the Vice-Chairman being the President of the Bishop Museum. The President of the University of Hawaii shall also serve as a voting member of the Board. The Governor, after consultation with Native Hawaiian organizations, shall appoint 10 additional members to the board and shall ensure that their terms rotate, at least every six years. Further, the conferees direct that a report be submitted to the Congress annually by the Department describing the efforts being made to date to identify and preserve and perpetuate Native Hawaiian art and culture."

Declaration of policy

(a) In the declaration of policy, the House bill, but not the Senate bill, includes the phrase "Inequalities of opportunity to receive high quality education remain pronounced."
Senate recedes.
(b) The Senate bill declares a policy of promoting "the quality and equity" of American education; the House amendment declares a policy of promoting "the improvement" of American education.
House recedes.

Definitions

(a) The Senate bill defines in paragraph (1) the following terms: "Assistant Secretary", "Council", and "Office". The House bill defines these terms within the text of subsection (b).
House recedes.
(b) The House bill defines the terms of "Assistant Secretary", "Council", and "Office" within the text of this subsection; the Senate bill defines these terms in subsection (a).
House recedes.

Education statistics

The House bill refers to a "Center for Statistics" throughout these provisions; the Senate bill refers to a "Center for Education Statistics".
House recedes.

Priorities

Both the Senate bill and the House bill identify priority research and development needs. The House amendment identifies four needs. With slightly different wording, the Senate bill identifies these four needs and also includes five additional priority needs:
(a) science, arts, humanities, and foreign languages;
(b) data base for special populations;
(c) adult education and literacy research;
(d) postsecondary opportunities; and
(e) research on educational professionals.
The Senate bill, but not the House bill, extends research priorities for equal educational opportunity to "minority students" and "gifted and talented students".
House recedes.

Officials

The House bill, but not the Senate bill, specifically identifies "educational professionals and policy makers" to whom information should be disseminated.
Senate recedes.

Publication of priorities

The House bill, but not the Senate bill, specifies that the Secretary must publish proposed research priorities in the Federal Register.

Senate recedes.

Responsibilities

(a) In regard to the Secretary's responsibilities to discharge listed functions of the Office, the House bill is permissive; the Senate bill is mandatory.

House recedes.

(b) The Senate bill, but not the House bill, specifies that assisting and fostering research, collection, dissemination, and training shall be carried out through grants, cooperative arrangements, and technical assistance.

House recedes with an amendment clarifying that when cooperative agreements are negotiated between the Secretary or the Office and eligible providers, that any changes from the initial agreement be negotiated by the Secretary or the Office with the eligible providers.

Personnel

(a) The House bill amends the GEPA provision and deletes the DEOIA provision; the Senate bill amends the DEOIA provisions and deletes the GEPA provision.

Senate recedes.

(b) The House bill limits appointments to not more than 20 percent of the Office staff; the Senate bill limits appointments to not more than 175 persons.

Senate recedes.

(c) The House bill limits tenure to three years. The Senate bill has no tenure limit.

Senate recedes with amendment stating that the Secretary may reappoint such employees upon presentation of a clear and convincing justification of need, for one additional term not to exceed three years. All such employees shall work on activities of the Office and shall not be reassigned to other duties outside the Office during their term.

(d) The House bill applies the provisions to "scientific or professional employees"; the Senate bill applies the provisions to "scientific, technical, or professional employees."

Senate recedes.

(e) The House bill, but not the Senate bill, provides a waiver from these provisions for those employees, selected by the Secretary, who were hired by OERI under the GEPA provision and were employed by the Office both on April 1, 1993, and on the date of enactment of these amendments.

Senate recedes with an amendment stating that individuals who are employed on the date of enactment of this Act and were employed by such Office on April 1, 1993, and who were employed under excepted hiring authority provided by Sec. 209 of the Department of Education Organization Act or Sec. 405 of the General Education Provisions Act may continue to be employed for the duration of their current term.

Secretary's functions

(a) The House bill, but not the Senate bill, includes the following methods through which the Secretary may carry out the Office's actutions, public organizations, public institutions, and private agencies.

Senate recedes.

(b) The House bill, but not the Senate bill, allows the Secretary to carry out the functions of the Office by providing technical assistance.

Senate recedes.

(c) The House bill mandates solicitation of recommendations and advice, use of peer review, and dissemination regarding assisted activities. The Senate bill, with different wording, provides that those methods shall be used "to the fullest extent possible".

Senate recedes with an amendment giving an exception when such peer review procedures are clearly inappropriate given such factors as the relatively small amount of a grant or contract or the exigencies of the situation (i.e. need to quickly plan a small meeting).

(d) The Senate bill mandates that the Secretary shall determine that the activities supported by an award "are consistent with the purposes and priorities of the Office". The House amendment mandates that they "will meet priority research and development needs under this section".

Senate recedes.

Regional labs

(a) The Senate bill, but not the House bill, requires the priority research and development needs of the labs to be determined by the labs' governing boards.

House recedes.

(b) The Senate bill provides that Centers may be operated by public agencies or private non-profit organizations. The House bill provides that Centers may be operated by institutions of higher education in consort with public agencies or private non-profit organizations.

Senate recedes.

(c) The Senate bill, but not the House bill, requires proposals that have been invited by the Secretary to be on a competitive basis.

House recedes.

Applications

The House bill, but not the Senate bill, specifies that prior to awarding grants or entering into contracts for labs and centers, the Secretary must invite applications to compete through notice in the Federal Register.

Senate recedes.

Conditions

The House bill, but not the Senate bill, includes conditions that must be adhered to prior to the making of a grant or entering into of a contract for a lab or center:

(1) the Office must solicit proposals from the Labs and Centers,

(2) such proposals must be developed by the Labs and Centers in consultation with the Office, and

(c) the Office must determine if the proposals are consistent with the activities the Office is charged with carrying out.

Senate recedes.

Meritorious proposals

The House bill, but not the Senate bill, specifies that the Secretary shall make available adequate funds to support meritorious unsolicited proposals and provide adequate notice.

Senate recedes.

NAEP

(a) The Senate bill specifies that the Secretary, through the Office, shall carry out the National Assessment of Educational Progress, whereas the House bill specifies that the Office shall carry out the Assessment.

Senate recedes.

(b) The Senate bill, but not the House bill, requires the National Assessment award to be made to a non-profit "educational" organization.

House recedes.

(c) The Senate bill, but not the House bill, specifies that the National Assessment include information on special groups of individuals.

House recedes.

(d) The Senate bill requires the Assessment Policy Committee to be established "with the advice of the Secretary."

Senate recedes.

(e) The House bill requires the periodic reviews of the Assessment to be reported to the Congress and the President; the Senate bill requires the reviews to be reported to the Congress and the Nation.

House and Senate recede to such effect so that the Assessment is reported to the Congress, President and the Nation.

Authorizations

(a) The House bill authorizes sections 405 and 406 for fiscal years 1987, 1988, and 1989; the Senate bill authorizes these sections through fiscal year 1991. (See also the sections in the bill pertaining to [illegible].)

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The Senate and House receded to each other with an amendment: [illegible]

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